



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2025_2 EXAMINATIONS

Course Code: BFN 302

Credit Unit: 3

Course Title: MONETARY THEORY AND POLICY

Time Allowed: TWO AND HALF HOURS

Instructions:

- 1. Attempt Question 1 and any other three (3) Questions.**
 - 2. Question 1 is compulsory and carries 25 marks while the other 3 Questions carry 15 marks each.**
 - 3. Present all your points in a coherent and orderly manner.**
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- 1a. Define the concept of demand for money and its significance in an economy. (10 marks)**
- 1b. List and explain the various reasons why people demand for money to hold as idle cash balances. (12 marks)**
- 1c. Discuss the Keynesian theory of liquidity preference. (3 marks)**
- 2a. Commercial banks are said to be unique in their performance of services and are distinguished from other forms of financial institutions. List five unique functions of commercial banks. (10 marks)**
- 2b. Enumerate five functions of Securities and Exchange Commission (SEC) (5 marks)**
- 3a. Define the term “barter system of trade”. (3 marks)**
- 3b. List and explain the primary functions of money in an economy. (6 marks)**
- 3c. List and explain six qualities of a good money. (6 marks)**
- 4a. Define the term “Inflation”. (5 marks)**
- 4b. List and explain five causes of inflation (10 marks)**
- 5a. What is monetary policy? (5 marks)**
- 5b. Differentiate between Expansionary and Contractionary monetary policy. (6 marks)**
- 5c. Define the term “stance of monetary policy”. (4 marks)**