



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2025_1 EXAMINATION***

Course Code: BFN 302

Credit Unit: 3

Course Title: MONETARY THEORY AND POLICY

Time Allowed: 3 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.**

1a. Define the term “Tax” (5 marks)

1b. State five reasons why Government levy tax on individuals and corporate bodies. (10 marks)

1c. List and explain the two forms of tax. (10 marks)

2a. Differentiate between the money market and the capital market. (8 marks)

2b. Discuss five instruments traded in the Nigerian money market. (5 marks)

2c. Define the term “Developed Money Market” (2 marks)

3a. List five functions of Central Bank of Nigeria. (5 marks)

3b. In order to pursue an effective monetary policy and to control credit in the economy, the Central Bank of Nigeria uses certain weapons. List and explain those weapons. (10 marks)

4a. Analyse the ways through which balance of payments disequilibrium can be corrected. (10 marks)

4b. What is balance of payment disequilibrium? (5 marks)

5a. List and explain the three components of balance of payments. (12 marks)

5b. Define the term “budget”. (3 marks)