



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi-Abuja
Faculty of Management Sciences, Department of Financial Studies
2021_1 EXAMINATION ...

Course Code: MBF833

Credit Unit: 3.

Course Title: MONEY AND BANKING

Time Allowed: 2 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.**

(1a). On the 5th of February, 2021, the Central Bank of Nigeria (CBN) placed a ban on Banks in Nigeria from transacting on cryptocurrencies and this has generated a lot of debates among scholars. Some schools of thought have argued strongly that the position of the CBN is largely in order as Cryptocurrencies do not meet the fundamental characteristics of money. As a Finance scholar, discuss succinctly five (5) major characteristics of money. (10marks)

(1b). The need to revive the Nigerian economy from the ravaging effect of COVID-19 has further called for repositioning of the key sectors of the economy like Agriculture and Industry. Accordingly, the functions of the Development Banks are brought to the fore. As a student of Finance, explain the three (3) rationales for the establishment of Development Banks in Nigeria. (3marks each for 3points =9marks)

(1c). Inflation rate in Nigeria and most developing economies has remained two digits for years without signs of improvement and therefore has identifiable adverse implications on the economy. You are required to clearly identify six adverse effects of inflation on the Nigerian economy. (1mark each for 6points=6mark)

(2a.) The evolution of money has passed through different stages depending upon the progress of human civilization at different times and places. Identify and discuss in chronological sequence the five (5) stages of development of money. (2marks each for 5points=10marks)

(2b). Money plays different roles to different people, Explain in clear terms the role of money as a means to Capital Formation. (5marks)

(3a.) Inflation is a common phenomenon in most West African economies, Discuss six (6) main features of inflation in Nigeria. (9marks)

(3b). State three limitations of fiscal policy as anti-inflationary policy in Nigeria. (6marks)

(4a) The role of the Central Bank of Nigeria (CBN), which is similar to that of Central banks in America and Europe, hinged around some major operations. Discuss succinctly four (4) of such major roles in a developing economy like Nigeria. (1.5marks each for 5points= 7.5marks)

(4b) State five (5) reasons why bank rate policy is not effective in controlling credit in less developed economies of the world. (1.5marks each for 5points= 7.5marks)

(5a) Discuss five(5) functions of the Nigerian Deposit Insurance Corporation. (7.5marks)

(5b) Commercial banks do not enjoy unlimited powers to create money. State five of these limitations. (7.5marks)