



NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2024 1 EXAMINATION

COURSE TITLE: ADVANCED MONETARY ECONOMICS
COURSE CODE: ECO 717
CREDIT UNITS: 2 UNITS
TIME ALLOWED: 2 HOURS
INSTRUCTION: ANSWER ANY THREE (3) QUESTIONS

QUESTION

- 1a. Explain the Friedman's determinants of nominal demand for money (16 marks)
- 1b. Calculate the real money supply in 2022 if the nominal money supply in a country was N150,000m in 2000 and it increased to N350,000m in 2022. Assume that the retail price index for 2022 is N580. Take the year 2000 as the base year. (7 marks)

QUESTION TWO

- 2a. Categorize the measures of money according to the Central Bank of Nigeria (CBN) (9 marks)
- 2b. With the use of relevant diagrams, describe how monetary policy can be used to overcome depression in an economy (14 marks)

QUESTION THREE

- 3a. Discuss the instruments of fiscal policy (9 marks)
- 3b. Assume the initial deposit is N200,000 and cash reserve requirement ratio is 13%.
- Calculate the credit multiplier and the total credit created
 - If the cash reserve requirement ratio is reduced to 5%, calculate the credit multiplier and the total credit created
 - If the cash reserve requirement ratio is increased to 20%, calculate the credit multiplier and the total credit created
 - Draw a conclusion on the relationship between cash reserve requirement and the total credit created (14 marks)

QUESTION FOUR

- 4a. Define financial system and explain the components of the Nigerian financial system and their instruments (20 marks)
- 4b. Outline any three limitations of credit creation by commercial banks (3 marks)