



**NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2020_1 EXAMINATION**

**COURSE TITLE: MONEY AND BANKING
COURSE CODE: ECO 444
CREDIT UNITS: 2
TIME ALLOWED: 2 HOURS**

INSTRUCTION: Answer question ONE and any other Two questions

QUESTION ONE

- (a) $C = 102 + 0.7Y$, $I = 150 - 100r$, $M_s = 300$, $L = 0.25Y + 124 - 200r$. Find (a) the equilibrium level of income and the equilibrium rate of interest, and (b) the level of C , I , and L when the economy is in equilibrium. **(22.5 marks)**
- (b) State the factors that determine Money Supply in the economy. **(7.5 marks)**

QUESTION TWO

- (a) The Classical economist which has Irving Fisher and the Cambridge School has slightly different views on the demand for money theory discuss. **(8 marks)**
- (b) Lord Keynes in his theory of demand for money suggested three motives to demand for money **(4.5 marks)**
- (c) Explain the advantages in adopting flexible exchange rate system **(7.5 marks)**

QUESTION THREE

- (a) Describe the five different forms of wealth in Friedman Milton theory of demand for money **(10 marks)**
- (b) State five importance of credit to the economy. **(5 marks)**
- (c) State five Roles of Non-Financial Institutions **(5 marks)**

QUESTION FOUR

- (a) Discuss any three functions of a Merchant Bank. **(6 marks)**
- (b) State five ways in which Discount Houses can raise funds. **(7.5 marks)**
- (c) State Five Consequences of the Factors Militating Against Capital Market in Nigeria **(7.5 marks)**

QUESTION FIVE

- (a) Discuss the following Eras of the Evolution of Money
 - i. The Era of Spherical Adventure (Anomalism) **(4.5 marks)**
 - ii. The Era of Subsistence (Autarky or No Exchange) **(4 marks)**
 - iii. The Era of Barter System (Direct Exchange) **(4 marks)**
- (b) Discuss the Three (3) Secondary Function of Money **(7.5 marks)**