



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi-Abuja
Faculty of Management Sciences, Department of Financial Studies
2020_1 EXAMINATION

Course Code: MBF 833

Credit Unit: 3

Course Title: MONEY AND BANKING

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.**

1a

The type of money in every age depended on the nature of its livelihood. In fact the origin of money is lost in antiquity, As a scholar of Banking and finance, briefly trace the evolution of money.(10marks)

1b. Briefly explain the concept of Financial Dualism as experienced by most developing economies like Nigeria(5marks)

1c. Development Banks are consciously created by governments and as such do not emerge on their own. In the light of this, briefly discuss two (2) of the major rationales behind the establishment of Development banks in Nigeria as held by Nwankwo (1980).(10marks)

2a. Trade by barter system was fraught with difficulties and limitations that gave impetus for the adoption of money as a means of exchange. Clearly discuss five of these difficulties.(10marks)

2b. Keynesian theory is reputed for identifying three motives for holding money. Discuss the speculative motive of holding money.(5marks)

3a. Explain the implication of money as an index for Economic Growth. (7.5marks)

3b. Discuss the concept of the velocity of money. (7.5marks)

(4a) Explain the concept of Ratchet Inflation in the Nigerian economic context. **(8marks)**

(4b) Advance Seven (7) strong arguments in favour of price stability in a developing economy like Nigeria. **(7marks)**

(5a) Discuss the concept of Credit Control Mechanism. **(7marks)**

(5b) Banks do not possess unlimited powers to create credit. State eight limitations suffered by Commercial banks in a bid to create credit. **(8marks)**

(6a) What is NDIC ? State five functions of NDIC. **(7marks)**

(6b) Bank rate policy has not been adjudged to be very effective in controlling credit in Less Developed Countries (LDCs) due to some lapses. Mention and discuss four (4) of such lapses. **(8marks)**