

OLABISI ONABANJO UNIVERSITY, AGO-IWOYE  
FACULTY OF SOCIAL AND MANAGEMENT SCIENCES  
DEPARTMENT OF ECONOMICS

HARMATTAN SEMESTER EXAMINATION 2009/2010 SESSION

COURSE CODE/TITLE: ECO 315 - MONEY AND FINANCIAL INSTITUTION

INSTRUCTION: ANSWER ALL QUESTION IN SECTION A AND ANY TWO IN SECTION B.

TIME ALLOWED: 1 HOUR 45 MIN.

SECTION A

Explain concisely whether the following statements are TRUE, FALSE or AMBIGUOUS

- F(i) Central Bank being lender of last resort implies acting as government banks.
- (ii) Loans syndication as a function of merchant banks means medium terms lending.
- F(iii) Financial market is an institutional arrangement Concerned with exchange of financial Instruments of short term duration.
- F(iv) Unit banking types enjoy advantage of economies of Scale in its operation.
- (v) Monetary Policy is mainly Concerned with money Control in the economy.
- F(vi) Financial Institutions ability to create more Credit is Called financial disintermediation.
- F(vii) The number of banks in the economy is the only Constraint to Credit Creation.
- F(viii) Interest rate deregulation implies fixing interest rate below equilibrium level.
- (ix) Financial institutions ranges from money demanded and money suppliers.
- F(x) One of the modern function of Central Bank is to print Currency.

(30 marks)

SECTION B

Answer Any two question

- (1) Arimu's total Money Stock is #200 million with a cash reserve ratio of 10%. However, only 50% of total money stock runs within the financial system. You are to demonstrate.
- (a) The Credit Creating Capacity of the financial Institutions is the economy.
  - (b) What happens if the Cash ratio reduces to 5% and the total money Stock is #150 million.
- (2) Explain the limiting factors against Credit Creation in such economy (20 marks).
- (2)(a) What is a Commercial Bank? What are its major function.
- (b) Comment on the phases of Commercial Banks development in Nigeria (20 marks).
- (3)(a) Distinguish between financial market and financial Instruments.
- (b) List and Explain the major problems confronting financial Sector in SSA Countries. (20 marks)