



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi-Abuja
Faculty of Management Sciences, Department of Financial Studies
JULY Examination 2017

Course Code: MBF 833

Credit Unit: 3

Course Title: MONEY AND BANKING

Time Allowed: 3 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.**

Questions

1a. Explain what you understand by money as an index for Economic Growth

1b. Nigerian economy has tumbled into the hyperinflationary abyss. As a Financial Analyst, state eight (8) main features of inflation

1c. 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

2a. What do you understand by credit control mechanism?

2b. Keynesian theory is reputed for identifying three motives for holding money. What do you understand by speculative motive?

3a. Development Banks are consciously created by governments and as such do not emerge on their own. In the light of this, briefly discuss three rationales behind the establishment of Development banks in Nigeria as held by Nwankwo (1980).

3b. Write short note on the concept of the velocity of money

(4a) Explain the concept of Ratchet Inflation in the Nigerian economic context

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

(5a) Briefly explain the concept of Financial Dualism as experienced by developing economies?

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

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

(6b) Explain the concept of Demand deposit as opposed to Derivative deposit in commercial banking.