NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2025_2 EXAMINATIONS

Course Code: BFN 302 **Credit Unit: 3**
Course Title: MONETARY THEORY AND POLICY
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. Define the concept of demand for money and its significance in an economy. **(10 marks)**

1b. List and explain the various reasons why people demand for money to hold as idle cash balances. **(12 marks)**

1c. Discuss the Keynesian theory of liquidity preference. **(3 marks)**

2a. Commercial banks are said to be unique in their performance of services and are distinguished from other forms of financial institutions. List five unique functions of commercial banks. **(10 marks)**

2b. Enumerate five functions of Securities and Exchange Commission (SEC) **(5 marks)**

3a. Define the term “barter system of trade”. **(3 marks)**

3b. List and explain the primary functions of money in an economy. **(6 marks)**

3c. List and explain six qualities of a good money. **(6 marks)**

4a. Define the term “Inflation”. **(5 marks)**

4b. List and explain five causes of inflation **(10 marks)**

5a. What is monetary policy? **(5 marks)**

5b. Differentiate between Expansionary and Contractionary monetary policy. **(6 marks)**
5c. Define the term “stance of monetary policy”. **(4 marks)**