

2015

(November)

ECONOMICS

(Major)

Course : 504

(Monetary Theories and Financial Markets)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

1. Answer/Choose the correct answer :

1×8=8

(a) Why is money called a 'highly liquid asset'?

(b) What is stagflation?

(Turn Over)

(2)

- (c) Demand for money refers to
- (i) public wish to hold money in cash
 - (ii) public wish to spend money
 - (iii) Both (i) and (ii)
 - (iv) None of the above

(d) Which of the following statements is true regarding SLR?

- (i) To meet SLR, commercial banks can use cash only
- (ii) SLR is maintained by the commercial banks with themselves
- (iii) Both (i) and (ii)
- (iv) None of the above

(3)

(e) According to Keynes, economic fluctuation is due to

- (i) higher level of aggregate supply
- (ii) changes in the level of aggregate effective demand
- (iii) changes in the level of investment function
- (iv) None of the above

(f) Credit creation is the important function of

- (i) commercial bank and non-banking financial institution
- (ii) commercial bank
- (iii) nonbanking financial institution
- (iv) None of the above

(g) Under full employment, inflation is called

(i) partial inflation

(ii) sectoral inflation

(iii) sporadic inflation

(iv) None of the above

(h) Which one among the following is the major shareholder of the State Financial Corporation in India?

(i) State Government

(ii) Reserve Bank of India

(iii) Scheduled Commercial Banks

(iv) All of the above

2. Write short notes on any four of the following (**within 150 words** each) : $4 \times 4 = 16$

(a) Determinants of money supply

(b) Phillips curve

(c) Meaning and phases of trade cycle

(d) Nonbanking financial intermediaries in India

(e) Functions of capital

(f) Quantitative measures of credit control

Answer the following questions (**within 500 words** each) :

3. (a) What do you mean by value of money? Discuss the superiorities of cash balance approach over cash transaction approach. Mention Keynesian views on it. $2+6+4=12$

(Turn Over)

(6)

Or

- (b) Discuss the Keynesian approach of demand for money with its limitations. $7+5=12$

4. (a) Write notes on the following : $5+6=11$

- (i) Inflationary gap
(ii) Distinction between demand-pull inflation and cost-push inflation

Or

- (b) What is monetary policy? What are its tools and objectives? Discuss the role of selective credit control in Indian economy. $2+4+5=11$

5. (a) What do you mean by business cycle? Critically explain Hawtrey's monetary theory of business cycle. $2+9=11$

Or

- (b) Discuss the innovation theory of trade cycle. Mention two important measures to control trade cycle. $3+8=11$

(7)

6. (a) Discuss various objectives of bank's portfolio management. How far can these objectives be achieved? $7+4=11$

Or

- (b) Examine the role of commercial banks and rural banks in agricultural development in India. What are the problems faced by these banks? $8+3=11$

7. (a) What is capital market? What are its components and functions? Mention two differences between money market and capital market. $2+7+2=11$

Or

- (b) Discuss various financial sector reforms undertaken by the Central Government. 11
