

otal No. of Printed Pages—7

## 5 SEM TDC ECO M 4

2017

( November )

### ECONOMICS

( Major )

Course : 504

( Monetary Theory and Financial Market )

Full Marks : 80

Pass Marks : 32/24

Time : 3 hours

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

1. Answer the following/Choose the correct  
answer of the following :  $1 \times 8 = 8$

(a) What do you mean by narrow  
definition of supply of money?

( 2 )

(b) Who is the custodian of government's security papers and bonds?

(c) Which of the following statements is true for cash balance approach?

(i) More importance on spending of money

(ii) Money supply is a flow variable

(iii) More importance on demand for money

(iv) More importance on supply of money

(d) "Inflation is a phenomenon of full employment." Who said?

(i) Hawtrey

(ii) Keynes

(iii) Friedman

(iv) Crowther

( 3 )

(e) The equation

$$\frac{1 + C_r}{C_r + RR_r + ER_r}$$

represents

(i) reserve deposit ratio

(ii) high-powered money

(iii) money supply

(iv) money multiplier

(f) Schumpeter's theory of business cycle is based on which of the following factors?

(i) Money and credit expansion

(ii) Over investment

(iii) Innovation

(iv) Under-consumption

(g) Commercial banks create credit with the help of

(i) time deposit

(ii) short-term deposit

(iii) demand deposit

(iv) None of the above



(h) Treasury bill is associated with

- (i) capital market
- (ii) stock market
- (iii) money market
- (iv) None of the above

2. Write short notes on any four of the following (**within 150 words** each) :

4×4=16

- (a) Phillips curve
- (b) Difference between inflation and deflation
- (c) Characteristics of the depression phase of trade cycle
- (d) Selective credit control measures
- (e) Importance of capital market

Answer the following questions (**within 100 words** each) :

3. (a) (i) What is speculative demand for money? How is it related to the rate of interest? 1+2=3

(ii) Explain the restated version of the Quantity Theory of Money given by Milton Friedman. 9

Or

(b) What is meant by 'high-powered money'? How does it influence the volume of money supply? 3+9=12

4. (a) (i) Distinguish between demand-pull and cost-push inflation. 4

(ii) What is stagflation? Discuss the measures that can be taken to cure the problem of stagflation. 2+5=7

Or

(b) Explain the objectives of monetary policy. Mention the limitations of monetary policy. 8+3=11



( 6 )

5. (a) Explain Hawtrey's theory of trade cycle. Mention the merits and demerits of the theory. 8+3

Or

- (b) Critically discuss the cobweb theory of trade cycle.

6. (a) Discuss the comparative role of regional rural banks and commercial banks in rural development.

Or

- (b) (i) Explain the types and functions of Non-Banking Financial Intermediaries in India.

- (ii) Discuss the reasons for accumulation of Non-Performing Assets in India.

7. (a) (i) What is capital market? Explain the functions of capital market. 2+4

- (ii) Discuss the measures taken to reform the Indian financial system.

( 7 )

Or

- (b) What is money market? Explain the importance of money market. Mention the defects of Indian money market. 2+5+4=11

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