

2018

(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. Choose the correct option/Answer the following : 1×8=8

(a) As per RBI, M_2 is composed of

(i) M_1 + all post office deposits

(ii) M_1 + time deposits of commercial banks

- (iii) M_1 + post office savings deposits
- (iv) M_3 + all post office deposits
- (b) When the demand for money is infinitely interest elastic, the effectiveness of an expansionary monetary policy is
- (i) highest
 - (ii) moderate
 - (iii) very low
 - (iv) nil
- (c) For controlling inflation, the central bank should
- (i) lower the bank rate
 - (ii) purchase government securities in the open market
 - (iii) lower the reserve ratio of the banks
 - (iv) None of the above

- (d) Stagflation refers to
- (i) high inflation in periods of high unemployment
 - (ii) deflation in periods of stagnant employment
 - (iii) deflation in periods of high unemployment
 - (iv) high inflation in periods of full employment
- (e) Which one of the following pairs is not correctly matched in the Indian context?
- (i) Cash reserve ratio and monetary policy
 - (ii) Non-performing assets and profitability of commercial banks
 - (iii) Market-determined rate of interest and post office deposits
 - (iv) Administered rate of interest and PPF

(4)

- (f) Write a major recommendation of the Narasimham Committee.
- (g) Write the name of a non-banking financial intermediary in India.
- (h) If the rate of interest increases, people holding bonds will
- (i) experience a capital gain on the bonds
 - (ii) experience a capital loss on the bonds
 - (iii) Both (i) and (ii)
 - (iv) Neither (i) nor (ii)

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

- (a) Measures of money supply in India
- (b) Limitations of monetary policy

(5)

- (c) Monetary and fiscal measures to control business cycles
- (d) Portfolio management
- (e) Stock market index

Answer the following questions (within 500 words each) :

3. (a) What is demand for money? Discuss the Keynesian approach to demand for money with its limitations. $2+7+3=12$

Or

- (b) What are the determinants of supply of money? Explain how changes in supply of money can affect the rate of interest. $4+8=12$

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

- (i) Inflationary gap
- (ii) Stagflation and policies to cure stagflation

(6)

Or

- (b) Define inflation. What are the different types of inflation? Examine the effects of inflation on production and distribution. $1+3+7=11$

5. (a) State the meaning and types of business cycle. Explain the features of different stages of business cycles. $4+7=11$

Or

- (b) Discuss Schumpeter's innovation theory of trade cycle. 11

6. (a) Write the meaning of selective credit control and quantitative credit control. In what ways the selective credit control measures are superior to quantitative credit control measures? Explain. $4+7=11$

Or

- (b) Explain the types, functions and role of non-banking financial intermediaries in India. $3+4+4=11$

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(Continued)

(7)

7. (a) Discuss the banking sector reforms in India in the context of the Narasimham Committee report. 11

Or

- (b) Discuss the instruments and functions of money market. Mention two differences between money market and capital market. $3+6+2=11$

P9-7000/360

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