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5 SEM TDC ECO M 4

2019

(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 from the following : 1×8=8

(a) High powered money is

(i) bank's reserves at the central bank

(ii) all loans and advances of banks

- (iii) money held by banks
 - (iv) currency held by public and reserves with the central bank
- (b) In which of the following phases of trade cycle, the situation of liquidity trap occurs?
- (i) Prosperity
 - (ii) Revival
 - (iii) Depression
 - (iv) None of the above
- (c) If the annual income velocity of money is 3, then the total money stock in the economy is
- (i) 3 times the nominal GNP
 - (ii) $\frac{1}{3}$ of real GNP
 - (iii) $\frac{1}{3}$ of nominal GNP
 - (iv) None of the above

(d) Which of the following is an asset for a commercial bank?

(i) Credit to farmers

(ii) Deposit of public

(iii) Borrowings from RBI

(iv) Demand deposit of industries

(e) An increase in the Bank Rate generally indicates that the

(i) market rate of interest is likely to fall

(ii) central bank is no longer making loan to commercial banks

(iii) central bank is following a tight money policy

(iv) central bank is following an easy money policy

- (f) What is the meaning of Phillips curve?
- (g) Write a recent measure taken for reformation of Indian financial system.
- (h) Liquidity preference function has different regions. What is its interest elasticity in the region of liquidity trap?

(i) Infinity

(ii) Between 0 to 1

(iii) Unity

(iv) Zero

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

(a) Money multiplier

(b) Stagflation

(5)

- (c) Characteristics of the prosperity phase of trade cycle
- (d) Selective credit control measures
- (e) Recommendations of the Narasimham Committee

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

3. (a) Compare between Classical and Keynesian views on demand for money. 12

Or

- (b) What are various measures of money supply in India? Explain how changes in supply of money can affect the rate of interest. 6+6=12

4. (a) Describe the fiscal instruments to control inflation. Examine the effectiveness and limitations of fiscal policy. 6+5=11

Or

- (b) Distinguish between 'demand-pull' and 'cost-push' inflation with the help of suitable diagrams. Examine the effects of inflation on production and distribution. 6+5=11

5. (a) Explain Hawtrey's monetary theory of trade cycle. What are its limitations? 7+4=11

Or

- (b) What is business cycle? Discuss the cobweb theory of trade cycle. 2+9=11

6. (a) Explain the process of multiple credit creation by the commercial banks. Why cannot NBFIs create credit? 9+2=11

Or

- (b) Discuss the objectives of bank's portfolio management. How far can these objectives be achieved? 7+4=11

7. (a) What is capital market? What are primary and secondary markets? Discuss the functions of capital market.

2+4+5=11

Or

- (b) Write notes on the following :

- (i) Meaning and importance of money market 6
- (ii) Stock market index 5

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