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**5 SEM TDC ECO M 4**

**2 0 2 1**

( March )

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

(i) Considers both transaction function and store of value function of money

(ii) Considers only transaction function of money

(iii) Considers store of value function of money

(iv) None of the above

(b) The equation

$$\frac{Cr + RRr + ERr}{1 + Cr} \times M$$

represents

(i) money supply

(ii) high-powered money

(iii) money multiplier

(iv) None of the above

(c) Under full employment, inflation is called

(i) partial inflation

(ii) sectoral inflation

(iii) sporadic inflation

(iv) None of the above

(d) Speculative demand for money is

- (i) positive function of rate of interest
- (ii) negative function of rate of interest
- (iii) positive function of income
- (iv) None of the above

(e) A situation of simultaneous high inflation and large-scale unemployment is called

- (i) inflation
- (ii) reflation
- (iii) stagflation
- (iv) deflation

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

(i) Over-investment

(ii) Innovation

(iii) Money and bank credit

(iv) None of the above

(g) In which year RBI was established?

(h) Define money market.

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

4×4=16

(a) Equilibrium rate of interest

(b) Liquidity trap

(c) Inflation vs. stagflation

- (d) Phases of trade cycle
- (e) Portfolio management
- (f) Instruments of capital market

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

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

Or

- (b) What is supply of money? Mention the measures of money supply in India. Discuss the relationship between money supply and high-powered money. 2+3+7=12
4. (a) What is inflation? Explain the causes of inflation. How can inflation be controlled in developing countries like India? 1+5+5=11

Or

- (b) Discuss the effect of inflation on production and distribution. 11

5. (a) Critically explain the innovation theory of trade cycle. 11

Or

- (b) Discuss the effectiveness of monetary policy and fiscal policy with the help of Keynesian views to control business cycle. 11

6. (a) Examine the role of cooperative banks and rural banks in agricultural and rural development in India. Mention two major problems faced by these banks. 2+9=11

Or

- (b) What are the major functions of RBI? Explain the role of RBI in rural development in India. 5+6=11

( 7 )

7. (a) What is money market? Explain its instruments and functions with special reference to Indian money market. Mention two major drawbacks of Indian money market. 2+7+2=11

Or

- (b) What are the differences between primary and secondary market? Explain their functions. 4+7=11

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