Total number of printed pages = 7

63/1 (SEM–5) DSE2/ECOHE5226

2024

ECONOMICS

Paper : ECOHE5226

[Money and Financial Markets (Option-II)]

Full Marks : 80

Pass Marks : 32

Time : 3 hours

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

1. Choose the correct answer : ***(any six)*** $1 \times 6 = 6$

(I) What function of money is being served when it is used to repay loans in the future?

(a) Unit of account

(b) Medium of exchange

(c) Store of value

(d) Standard of deferred payment

(II) Which of the following can increase the money supply in an economy?

(a) An increase in reserve requirements

(b) The scale of government securities by the central bank

(c) Lowering the discount rate

(d) Increasing the interest rates on loans

(III) Which of the following is an example of a capital market instrument?

(a) Treasury bills

(b) Certificates of deposit

(c) Corporate bonds

(d) Commercial paper

(IV) Which financial market is primarily used for short-term borrowing and lending?

(a) Capital market

(b) Money market

(c) Derivatives market

(d) Foreign exchange market

(V) ATM stands for–

(a) Automated Transaction Machine

(b) All-Time Money

(c) Automatic Teller Machine

(d) Autorized Transaction Mode

(VI) Financial innovation refers to–

(a) the introduction of new types of monetary policy

(b) the development of new financial products, services, or processes

(c) the regulation of financial institutions

(d) the stabilization of exchange rates

(VII) Which of the following is not considered a function of a central bank?

(a) Issuing currency

(b) Providing loans to individuals

(c) Controlling inflation

(d) Managing foreign exchange reserves

(VIII) Which of the following is typically considered a factor influencing interest rates?

(a) Inflation rates

(b) Population growth

(c) Technological advancements

(d) Government spending on infrastructure

(IX) Which of the following interest rates is determined in the money market?

(a) Repo rate

(b) Call money rate

(c) Exchange rate

(d) Tax rate

(X) Which institution is primarily responsible for setting key policy interest rates in India?

(a) Ministry of Finance

(b) Reserve Bank of India (RBI)

(c) Securities and Exchange Board of India (SEBI)

(d) National Stock Exchange (NSE)

2. Answer the following questions : ***(any five)*** 2×5=10

(a) What is money supply?

(b) What components are included in M1?

(c) What is meant by financial market?

(d) Define a capital market.

(e) What is the difference between nominal interest rate and real interest rate?

(f) What is Cash Reserve Ratio?

(g) What is meant by high-powered money (H)?

3. Answer the following questions : ***(any six)*** 5×6=30

(a) How does money function as a medium of exchange?

(b) Explain Fisher's Transaction Approach of Money supply.

(c) Explain the role of central banks in controlling the money supply.

(d) Distinguish between Money Market and Capital Market.

(e) Explain financial innovation with example.

(f) Define bank rate and how it differs from the repo rate.

(g) Explain briefly the objectives of monetary policy.

(h) Write briefly about the Banking sector reforms in India.

(i) What are the determinants of money supply?

(j) Define assets and liabilities in the context of a bank's Balance Sheet.

4. Answer the following questions : ***(any two)*** $10\times2=20$

(a) Discuss the different measures of money supply and their significance in the economy.

(b) Discuss the role of financial markets in an economy.

(c) Explain the quantitative methods of credit control.

(d) Discuss the concept of interest rate differentials. What factors contribute to variations in interest rate?

5. Answer the following questions : ***(any one)*** $14\times1=14$

(a) Discuss the primary functions of a central bank. How do these functions contribute to the stability and growth of an economy?

(b) What is Portfolio management of Commercial Bank? Discuss the conflicting nature of the objectives.

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