ECONOMICS

(1st Semester)

Course No. : ECOCC–105

(Economics of Money, Banking and Finance)

Full Marks : 70
Pass Marks : 28

Time : 3 hours

The figures in the margin indicate full marks for the questions

Answer **five** questions taking **one** from each Unit

UNIT—I

1. Define monetary base. Explain how monetary base in interaction with the money multiplier determines the money supply. Distinguish between mechanistic and behavioural models of money supply determination. Add a note on the store of value function of money.   2+5+5+2=14

2. What are the stylized facts of a monetary economy? Is there any justification for including money in the utility function? Explain with reference to both direct and indirect utility functions.   4+5+5=14

UNIT—II

3. Outline the structure of a financial system. How is the development of the financial system control the economic development of a country? Write a note on the role of MFIs in the financial system.   5+5+4=14

4. *(a)* What are derivatives? Show how options constitute an improvement over forwards and futures.   3+5=8

   (b) Give an outline of various financial services provided by NBFC in India.   6

UNIT—III

5. Describe the monetary policy framework. Using the monetary-fiscal interface, explain the importance of monetary policy in achieving the broad targets of economic policy.   6+8=14

6. Distinguish between operating targets and ultimate goals of monetary policy. Explain how you would choose the operating targets depending upon the conditions prevailing in the money market and commodity market.   6+8=14

(3)

UNIT—IV

7. Explain the importance of financial regulation in ensuring the financial health of the economy. What role do stock exchanges play in ensuring financial regulation? Add a note on the role and functions of the NSDL.

4+4+6=14

8. What do you understand by OTC markets? Describe the evolution of OTC derivatives in India. Explain the regulatory framework for OTC derivatives. 4+5+5=14

UNIT—V

9. Explain the theory of Purchasing Power Parity (PPP). How does it differ from the law of one price? Do you think PPP can exist in modern trading environments?

5+4+5=14

10. What are the main drivers of economic globalization? What are the risks brought along by it to developing countries? What measures would you suggest to cope with such risks? Elaborate. 5+5+4=14

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