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PG Even Semester (CBCS) Exam., May—2019

ECONOMICS

(2nd Semester)

Course No. : ECOCC–204

(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. *(a)* What are the key differences between the simple deposit multiplier and the money multiplier? Discuss. 6

(b) Briefly explain whether the money multiplier will increase or decrease following an increase in each of the following : 6

(i) The currency-to-deposit ratio

(ii) The excess reserves-to-deposit ratio

(iii) The required reserve ratio

(c) What would be the value of the M1 money multiplier if banks hold no excess reserves, the currency deposit ratio is 1 and the required reserve ratio is 100%? 2

2. *(a)* What arguments are forwarded for justifying the inclusion of money balances in the production function of a firm? Elaborate. 3

(b) The production function of a firm is given as

$$q \quad F(K, L, m^f)$$

where q is the quantity of output, K is capital stock, L is employment and m^f is the holdings of real balances. Derive the demand function for money balances of the firm. 7

(c) "A monetary exchange system results in higher efficiency and promotes faster economic growth." Justify the statement. 4

UNIT—II

3. *(a)* Briefly describe the three key services that the financial system provides to savers. 6

(b) Give an outline of the structure and components of the financial system. 8

(3)

4. *(a)* What are financial services? Discuss any two major types of financial services outlining their role and functions. 3+3+3=9

(b) What is micro-finance? How does it promote financial inclusion? 2+3=5

UNIT—III

5. What do you mean by monetary policy framework? How does the Central Bank use the tools of monetary policy to attain its objectives? In this context, discuss the criteria employed by the Central Bank for choosing the operating targets of monetary policy. 8+3+3=14

6. What is the inter-bank rate? How does it serve as an operating target for monetary policy? How can the Central Bank target the bank rate? In this connection, explain the significance of the Taylor's rule. 2+2+7+3=14

UNIT—IV

7. What do you mean by money laundering? How does it affect the stability of the financial system? Outline the role of the NSDL and stock exchanges in preventing money laundering in India. 5+5+4=14

(4)

8. Briefly explain why the financial system is one of the most highly regulated sectors of the economy. Discuss the role of the SEBI in providing financial regulation in India. 6+8=14

UNIT—V

9. What is exchange rate risk? How can exchange rate risk be hedged using forward futures and option contracts? Elaborate. 2+4+4+4=14

10. *(a)* Describe the trends in international movement of capital in recent years. What role do industrial policy models play in determining the flow of capital across countries? Discuss. 5+5=10

(b) Add a note on Euro Dollar market. 4

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