

PG Odd Semester (CBCS) Exam., December—2017

ECONOMICS

(1st Semester)

Course No. : ECOCC-105

(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) Is the standard neo-classical utility function consistent with the predictions of a monetary economy? Explain. 7
- (b) How would you modify the utility function to incorporate the demand for money balances? 7
2. (a) Examine the role of the Central Bank, Commercial Banks and the non-bank public in the process of money supply determination. 3+2+2=7
- (b) Derive the credit multiplier. 4

8J/717

(Turn Over)

- (c) If currency held by public (C_P) \$500b, deposits held by public with banks (D_P) \$1000b, cash reserve ratio is 10% and excess reserves \$150b, calculate money multiplier and monetary base. 3

UNIT—II

3. Distinguish between primary market and secondary market. Explain the role of the secondary market in capital formation. Add a note on the instruments of money market in India. 4+5+5=14
4. (a) Define the following : 4
- (i) Call option
- (ii) Put option
- (iii) Strike price
- (iv) Expiration date
- (b) How can investors use options to manage risk? 5
- (c) What is the Black Scholes Model? 5

UNIT—III

5. (a) Explain the role of monetary targeting in monetary policy. 5

8J/717

(Continued)

(3)

(b) Explain and show graphically the effect on the demand for reserves or the supply of reserves of each of the following Central Bank actions : $3+3+3=9$

- (i) A decrease in the discount rate
- (ii) A decrease in the interest paid on reserves
- (iii) An open market sale of government securities

6. Outline the role of the RBI and IRDA in financial regulation in India. $7+7=14$

UNIT—IV

7. What is a financial crisis? Examine the factors leading to the financial crisis of 2007–08. Discuss the connection between financial crisis and financial regulation. To what extent did the financial crisis of 2007–08 contribute to the global recession during that period? $2+5+3+4=14$

8. What is the SEBI? What are its powers and functions? Discuss the role of the SEBI in promoting investor protection and corporate governance in India. $4+4+3+3=14$

(4)

UNIT—V

9. (a) What is the difference between spot transaction and forward transaction in the foreign exchange market? Discuss. 3

(b) What is the interest rate parity condition? How does the interest rate parity condition account for differences in interest rates in different countries on similar bonds? What are the main reasons that interest rate parity may not hold? Elaborate. $3+3+5=11$

10. What is the Asian Development Bank (ADB)? What are its objectives and functions? Outline the role of the ADB in promoting financial inclusion in developing countries. $4+3+7=14$
