

2015

ECONOMICS

( Major )

Paper : 3.2

( The Monetary System )

Full Marks : 80

Time : 3 hours

The figures in the margin indicate full marks  
for the questions

1. Answer the following : 1×10=10
- (a) Mention one objective of a good monetary standard.
  - (b) Write true or false :  
Credit money is near-money.
  - (c) What do you mean by monetary base?
  - (d) Give one example of primary asset.
  - (e) What do you mean by financial system?
  - (f) Define credit multiplier.
  - (g) What is stock market?

- (h) Define margin requirement.
- (i) What is meant by open market operation?
- (j) Mention one promotional role of the Central Bank in a developing economy.

2. Answer the following questions :  $2 \times 5 = 10$

- (a) What is token money?
- (b) "Bank money is considered as liquid as legal tender money." Explain.
- (c) What are the main components of High-Powered Money?
- (d) Distinguish between primary market and secondary market.
- (e) Why is the Central Bank called 'The lender of the last resort'?

3. Answer any four of the following :  $5 \times 4 = 20$

- (a) What is near-money? What are the types of near-money?
- (b) Explain briefly the objectives of monetary policy.
- (c) What is balance sheet of a bank? What are the main items of a bank's balance sheet?

- (d) Write a short note on the effectiveness of Bank Rate Policy in developing countries.
- (e) State the main measures of money supply in India.
- (f) Explain how the principles of liquidity and profitability are reconciled by a commercial bank in distributing its assets.

4. Answer any four of the following :

- (a) What do you mean by credit creation? Explain the process of multiple credit creation by a commercial bank.  $3+7=10$
- (b) Discuss the role of money in modern economy. 10
- (c) Explain the main constituents of money market. 10
- (d) Discuss the role of financial system in the economic development of a country. 10
- (e) Point out the importance of capital market in an economy. Compare capital market with money market.  $3+7=10$
- (f) Explain the role of Non-Bank Financial Institutions (NBFIs) in an economy. 10

(g) What do stock market indices reflect?  
Discuss the role of stock market in  
economic development of a country.

2+8=10

(h) Distinguish between quantitative and  
selective methods of credit control.  
Explain the selective credit control  
measures.

3+7=10

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