

2 0 1 4

ECONOMICS

(Major)

Paper : 3.2

(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) What is the most distinguishing feature of money?

(b) What is a standard money?

(c) Why is net demand deposit is a component of money supply and not the gross demand deposit?

(d) What is the most liquid asset of a commercial bank?

(e) What distinguishes a commercial bank from other financial institutions?

- (f) Give two examples of 'near money'.
- (g) Who frames the monetary policy of India?
- (h) What distinguishes selective credit control from quantitative credit control?
- (i) What is a 'surplus unit' in an economy?
- (j) Which of the following is not a debt instrument?

Bond, Debentures, Equity, Treasury Bills

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

- (a) State the components of 'narrow money'.
- (b) Name two assets and two liabilities of a commercial bank.
- (c) State two distinguishing features of a monetary policy.
- (d) What are the main components of a financial system?
- (e) Name two National Stock Exchanges of India.

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

- (a) State briefly the functions of money.
- (b) What is the conflict between liquidity and profitability objectives of a commercial bank?
- (c) What are the limitations of credit creation of a commercial bank?
- (d) Are the goals of maximum feasible output and price stability consistent with each other? Comment.
- (e) Distinguish between the money market and the capital market giving suitable examples.
- (f) What is a stock market index? How is it calculated?

4. Answer any *four* of the following : $10 \times 4 = 40$

- (a) Discuss how money has revolutionized the exchange economy.
- (b) Discuss different functions of money.
- (c) Explain the process of credit creation by a commercial bank.

- (d) Comment on the role of commercial banks in the development of a region, including financial inclusion.
- (e) Critically discuss the quantitative credit control measures of a commercial bank.
- (f) Discuss the promotional role played by the RBI in the Indian economy.
- (g) Explain the role of a sound financial system in a modern economy.
- (h) Discuss how stock market contributes to the industrial development of a country.

★ ★ ★