

2012

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 questions : 1×10=10
- (a) What is 'standard money'?
 - (b) Define near money.
 - (c) Mention one asset of commercial bank.
 - (d) Give two examples of capital market regulator.
 - (e) What do you mean by 'moral suasion' as a method of credit control?

- (f) Mention any two functions of financial system.
- (g) Give two examples of financial intermediary.
- (h) When was RBI nationalised?
- (i) What do you mean by 'reserve fund' of a commercial bank?
- (j) Mention the components of financial market.

2. Answer the following questions : 2×5=10

- (a) Distinguish between primary market and secondary market.
- (b) Distinguish between an equity and a debt instrument.
- (c) Distinguish between full-bodied money and token money.
- (d) Distinguish between qualitative credit control and quantitative credit control.
- (e) How does credit multiplier differ from cash reserve ratio?

3. Answer any *four* of the following questions in brief : 5×4=20

- (a) Explain briefly the promotional functions of the Central Bank.
- (b) Point out the features that a sound financial system should possess.
- (c) Bring out the limitations of credit creation by commercial banks.
- (d) How does the stock market contribute to capital formation in an economy?
- (e) Explain the role of the Central Bank as the lender of last resort.
- (f) Explain the conflict between 'liquidity' and 'profitability' objectives of a commercial bank.

4. Answer any *four* of the following questions : 10×4=40

- (a) Explain the concept of money supply. Bring out the significance of various money supply measures. 3+7=10
- (b) Critically discuss the changing role of money. 10

- (c) Give an outline of the assets and liabilities of a commercial bank. 10
- (d) Discuss the principal functions of the Central Bank. 10
- (e) Explain the process by which the bank rate policy operates. Discuss the limitations of the policy. $7+3=10$
- (f) What are the objectives of monetary policy? Can monetary policy alone achieve them? $5+5=10$
- (g) Explain the constituents of a financial system. Also discuss the importance of the system. $8+2=10$
- (h) What is a financial market? Discuss the features of a financial market. $2+8=10$
