

2013

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 meant by legal-tender money?

(b) Define token money.

(c) Mention one liability of commercial banks.

(d) What is meant by overdraft facility of a commercial bank?

(e) What is meant by 'letter of credit'?

- (f) Mention one important method of qualitative or selective credit control.
- (g) What is meant by cash reserve ratio?
- (h) What is meant by bank rate?
- (i) Mention one limitation of bank rate policy of the Central Bank.
- (j) Define stock market.

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

- (a) Mention two functions of money.
- (b) Mention two characteristics of a 'money market'.
- (c) Define statutory liquidity ratio.
- (d) Bring out the meaning of financial system.
- (e) What is meant by stock market index?

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

- (a) Distinguish between money and near money. Give the significance of near money. 3+2=5

- (b) What are the objectives of monetary policy? 5
- (c) Explain the role of Central Bank as a custodian of foreign exchange reserves. 5
- (d) Discuss in brief the significance of bank rate policy of the Central Bank. 5
- (e) Explain briefly the features of a financial market. 5
- (f) Write a note on the constituents of a financial system. 5

4. Answer any four of the following questions :

10×4=40

- (a) Discuss the significance of money in a modern economy. 10
- (b) Write a note on the functions of commercial banks. 10
- (c) Discuss the various objectives of bank's portfolio management. How far can these objectives be achieved? 7+3=10
- (d) Discuss briefly the principal methods adopted by a Central Bank to control credit. 10

- (e) "A well-organised Central Bank controls the internal price level, stabilises the exchange rate and prevents the occurrence of financial and industrial crisis." How does a Central Bank achieve these objectives? 10
- (f) Discuss the promotional role of a Central Bank in a developing economy with special reference to RBI. 10
- (g) Discuss the importance of the financial system in an economy. Distinguish between money market and capital market. 7+3=10
- (h) Discuss the role of stock market in the economic development of a country. 10
