

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?

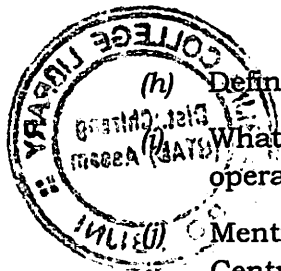
(d) Give one example of primary asset.

(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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