

Code : 315202

BBE 2nd Semester Theory Examination, 2017

Economics of Money, Banking and Finance

Time : 3 hours

Full Marks : 60

Instructions :

- (i) The questions are of equal value.
- (ii) There are seven questions in this Paper.
- (iii) Attempt Five questions in all.
- (iv) Question No. 1 and 2 are compulsory.

1. Choose the correct answer (any six): 2×6=12

(a) Money is defined as:

- (i) Bill of Exchange
- (ii) Anything that is generally accepted in payment for goods and services or in the repayment of debt.
- (iii) A risk free repository of spending power.
- (iv) The unrecognized liability of Government.

(b) The currency component includes paper money and coins held in.....

- (i) Bank valuts
- (ii) ATMs
- (iii) The hands of the nonbank public
- (iv) The central bank

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(c) A sharp increase in the growth of the money supply is likely followed by

- (i) A recession
- (ii) a depression
- (iii) An increase in the inflation rate
- (iv) No change in the economy

(d) The concept of is based on the common sense notion that a dollar paid to you in the future is less valuable to you than a dollar today.

- (i) Present value
- (ii) Future value
- (iii) Interest
- (iv) Deflation

(e) There is a association between inflation and the growth rate of money

- (i) Positive; demand
- (ii) Positive; supply
- (iii) Negative; demand
- (iv) Negative; supply

(f) The riskiness of an asset's returns due to changes in interest rate is

- (i) Exchange rate risk
- (ii) Price risk

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- (iii) Asset risk
- (iv) Interest-rate risk

(e) A budget occurs when government expenditures exceed tax revenues for a particular time period.

- (i) Deficit
- (ii) Surplus
- (iii) Surge
- (iv) Surfeit

(h) Which of the following are reported as liabilities on a bank's balance sheet?

- (i) Reserves ✓
- (ii) Checkable deposits
- (iii) Loans ✓
- (iv) Deposits with other bank

(i) Financial market improves economic welfare because

- (i) They channel funds from investors to savers.
- (ii) They allow consumers to time their purchase better
- (iii) They weed out inefficient firms.
- (iv) Eliminate the need for indirect finance.

(j) Bank that actively manage liabilities will most likely meet a reserve shortfall by

- (i) Calling in loans

- (ii) Borrowing federal fund
- (iii) Selling municipal fund
- (iv) Seeking new deposits

2. Answer any three of the following::

- (a) Explain the role of money under mixed economy.
- (b) Explain different phase of trade cycle. ✓
- (c) Explain how central bank act as Banker's Bank. ✓
- (d) What are the classification of public debt?
- (e) Bring out the stage in the evolution of money. ✓

3. Discuss the Cambridge cash balance approach to the quantitative theory of money. How far it is superior to the cash transaction approach? ✓

4. Discuss economic consequence of inflation. What measures can be adopted to control inflation.

5. Examine the role of commercial banks in economic development. ✓

6. What are the objectives of monetary policy? Discuss its role in a developing economy.

7. Examine the following statements:

- (a) Money held by the central bank is not a part of money supply
- (b) Money supply is a stock as well as a flow concept.
