1198 – C45 – IIISC – R – N – 15

THIRD SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2015

(Revised)

MONETARY ECONOMICS

(Compulsory)

Time : 3 Hours] [Max. Marks : 80

All sub-questions should be answered continuously.
Answer **all** *the three sections.*
Draw diagrams wherever necessary.

Section A – (Marks : 10 × 2 = 20)

1. Answer any **ten** of the following questions:
   a) Define money.
   b) What is M_1 and M_2?
   c) Define Hyper-inflation.
   d) What is value of money?
   e) Give the meaning of Money Market.
   f) What is Call money?
   g) Define Liquidity.
   h) What are the liabilities of Commercial Banks?
   i) What is Cheap Money Policy?
   j) Define Reverse Repo-Rate.
   k) Find out 'P' by using Marshell's equation,
   When M = 5000 Rs., Y = Rs. 10,000 + K = 1/10
   l) Give the meaning of SLR and CRR.

Section B – (Marks : 3 × 5 = 15)

Answer any **three** *of the following questions.*

2. Explain the dynamic functions of money.
3. Discuss the causes of inflation.
4. Examine the defects of money market.
5. Explain the role of modern banking in India.
6. Write a note on monetary policy.
7. Discuss the open-market operation.

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Section C – (Marks : 3×15=45)

Answer any **three** *questions.*

Question No. **13** *is compulsory.*

8. Discuss various functions of Money.

9. Critically examine the Fisher's equation of exchange.

10. Explain the construction of index number of prices. Find out CPIN by using following data:

Sl No.	Commodities	Price in the base year	Price in the current year
1.	Salt	₹ 5	₹10
2.	Rice	₹ 20	₹ 60
3.	Wheat	₹ 15	₹ 30
4.	Onion	₹ 20	₹60
5.	Edible Oil	₹ 50	₹ 150
6.	Apple	₹ 50	₹ 100

11. Discuss the defects and the regulations of Indian money.

12. Discuss the methods of Credit Control of RBI.

13. **Case-Let** :

Read the caselet carefully and answer the questions given below:

Assume there are five commercial banks in India viz A, B, C, D and E. The RBI has fixed the CRR at 20%. Bank `A' has received an initial deposit Rs. 30,000.

Questions :

a) What is Credit Creation?

b) Explain Primary and Secondary deposits.

c) Explain the process of credit creation by using the data given in caselet.