

2022

**ECONOMICS — HONOURS**

**Paper : DSE-A(2)-1**

**(Money and Financial Market)**

**Full Marks : 65**

*The figures in the margin indicate full marks.*

*Candidates are required to give their answers in their own words as far as practicable.*

**Group - A**

**1. Answer any ten questions :**

2×10

- (a) What is yield to maturity?
- (b) State any two role of financial system in economic development.
- (c) What are the possible shapes of a yield curve?
- (d) Distinguish between CRR and SLR.
- (e) Can the interest rate be Zero? Explain.
- (f) State the relationship between interest rate and bond price.
- (g) Define Broad Money.
- (h) What is zero coupon bond?
- (i) What do you mean by risk sharing?
- (j) Explain the notion of present value of a bond with the help of an example.
- (k) The return on a bond will be necessarily equal to the rate of interest.— Do you agree? Explain.
- (l) Define money multiplier.
- (m) What are financial derivatives?
- (n) What are the qualitative instruments of monetary policy?
- (o) What do you mean by Liquidity Adjustment Facility (LAF)?

**Group - B**

Answer any three questions.

5×3

2. What is the role of financial intermediaries in the financial system?
3. Explain the concept of adverse selection in financial market with suitable examples.

**Please Turn Over**

4. Write a short note on measures of money supply in India.
5. What are the advantages of mutual funds as investment for small savers?
6. What are the sources that results in interest rate differentials?

**Group - C**

Answer *any three* questions.

7. Discuss the major recommendations of the 1st and 2nd Narasimham Committee. How far these recommendations guided banking sector reforms in India? 6+4
8. (a) Define high powered money.  
(b) Show that money supply is equal to the money multiplier times monetary base. 2+8
9. (a) Distinguish between money market and capital market.  
(b) Give a brief outline of the major money market instruments in India. 3+7
10. (a) Explain the role of central bank in controlling the flow of credit in the economy in order to combat inflation.  
(b) What are banking and non-bankings financial intermediaries? 7+3
11. (a) What is the relation between nominal and real interest rate?  
(b) What is term structure of interest rate? Critically explain the Expectation Theory on term structure of interest rate. 2+(1+7)