

2023

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) State any two functions of the financial system in any economy.
- (b) What is credit risk?
- (c) What is high powered money?
- (d) Distinguish between primary and secondary market.
- (e) What is risk premium?
- (f) What is Credit Rating Agency?
- (g) What is IPO?
- (h) What do you mean by Yield to Maturity?
- (i) Demonetisation acts as a liquidity shock in the economy. — Explain.
- (j) Mention any two measures adopted by RBI in order to control inflation.
- (k) What are doubtful assets?
- (l) State two objectives of implementing financial sector reforms in India.
- (m) What is Market Stabilisation Scheme (MSS)?

Group - B

Answer *any three* questions.

5×3

2. Explain how a Lemon problem arises in the markets for bond and stock.
3. Explain the H-theory of money supply.
4. Briefly discuss the evolution of Indian Derivative Market.

Please Turn Over

5. According to you, is Moral Suasion a valid monetary policy tool in modern banking sector?
6. How does a commercial bank create money?

Group - C

Answer *any three* questions.

7. Critically explain the Liquidity Premium Theory on term structure of interest rate. 10
 8. Define financial inclusion. How is it measured in India? Give a brief account of the policy measures taken by RBI for financial inclusion in India. 2+3+5
 9. What do you mean by sterilization? Explain the concept with the help of suitable diagram. 2+8
 10. Give a brief outline of banking sector reforms and external financial sector reforms in India since 1991. 5+5
 11. (a) Distinguish between forward and future contracts in the market for derivatives.
(b) Critically explain the process of credit creation of a commercial bank. 3+7
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