UPES
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UNIVERSITY OF PETROLEUM & ENERGY STUDIES
End-Term Examination, December 2021

Program/course: BA in Energy Economics
Subject: Monetary Economics
Code   : ECON 3003

Semester   : V
Max. Marks : 100
Duration   : 3 Hrs

Section-A
All the questions are compulsory in this section.   [10*2=20]

Q.No.	Questions	CO
1.	The metallic money contains- (a) token coins only. (b) all money. (c) standard coins plus token coins. (d) gold and silver coins only.	CO1
2.	What are the liabilities of a bank- (a) advances. (b) time deposits. (c) accumulated reserves. (d) cash with the RBI.	CO1
3.	Which of the following is not an objective of credit control- (a) economic growth. (b) maintaining exchange reserves. (c) price stabilization. (d) economic welfare.	CO1
4.	Bank rate policy is not very effective, because- (a) it operates indirectly. (b) its scope is limited. (c) it requires a well-developed market. (d) all of the above factors work.	CO1
5.	"An inferior currency if not limited in amount, will drive out the superior currency". The statement pertains to- (a) the law of inferior currency. (b) the law of superior currency. (c) Marshall's law. (d) Gresham's law.	CO1
6.	Standard coins only- (a) a full-bodied coin. (b) silver standard.	CO1

	(c) legal tender.	
	(d) RBI coin.	
7.	Liquidity trap are- (a) perfectly elastic demand for money. (b) perfectly inelastic demand for money. (c) elastic demand for money. (d) inelastic demand for money.	CO1
8.	Capital market provides- (a) short-term loans. (b) Long-term funds. (c) finance. (d) all of the above.	CO1
9.	Under the customary cash reserve ratio of 1/20, if bank receives Rs. 5000, then the amount multiple expansion of credit would be- (a) Rs. 4000. (b) Rs. 40,000. (c) Rs. 20,000. (d) Rs. 25,000.	CO1
10.	Bank's liquidity means- (a) capacity to produce cash on demand. (b) to create credit. (c) arrangement of cash. (d) all of the above.	CO1

Section-B [4*5=20]
Attempt all the questions.

Q.No.	Questions	CO
11.	"The demand for money is a demand for cash balances". Discuss.	CO2
12.	"Medium of exchange function of money is more important than the store of value function". Elucidate the statement.	CO2
13.	Distinguish between money markets and capital markets.	CO2
14.	Discuss the role of banks in a developing economy.	CO2

Section-C [3*10=30]
Attempt any three questions.

Q.No.	Questions	CO
15.	Write a short notes on: 　(a) Central bank as a promoter of economic development, and 　(b) Functions of the RBI.	CO3
16.	Describe the process of multiple credit creation by commercial banks.	CO2

17.	Describe the changing role of central bank in a developing economy.	CO3
18.	Why the transactions demand for money depends not only on the level of income but also on the rate of interest?	CO4

Section-D   **[2*15=30]**
Attempt any two question.

Q.No.	Questions	CO
19.	"Commercial banks cannot disregard their liquidity for higher profits". Discuss this statement with the help of a balance sheet of a commercial bank.	CO4
20.	Discuss critically Friedman's theory of demand for money.	CO2
21.	Does increase in money supply always lead to a proportional increase in price? Give reason in support of your answer.	CO4