

**Avinashilingam Institute for Home Science and Higher Education for Women
[Deemed to be University] Coimbatore-641 043**

Bachelor's Degree Examination – November 2018

III Semester

**Class : II UG
Major : Economics**

**Time: 3 hours
Max. Marks: 100**

15BECC08 Monetary Economics

1. Goods exchanged for goods is known as
(a) monetary system (b) barter system (c) fiscal system (d) None of the above
2. Paper money is _____ money
(a) Bow and Arrow (b) Gold (c) Cheque (d) None of the above
3. Inflation is a situation where
(a) Prices are falling (b) Value of money is falling
(c) Value of money is rising (d) All of the above
4. In the Quantity Theory of Money Fischer states that, while other things remain the same,
(a) Price level varies directly with the quantity of money
(b) Price level varies inversely with the quantity of money
(c) Value of money varies directly with the quantity of money
(d) None of the above
5. Value of money:
(a) Is inversely related to the price level (b) Is directly related to the price level
(c) Is independent of the price level (d) None of these
6. Contingent functions of money
(a) Distribution of National Income (b) Maximization of Satisfaction
(c) Basis of Credit Creation (d) All the Above
7. Which of the following is a primary function of money?
(a) measure of value (b) store of value
(c) standard of deferred payments (d) basis of credit
8. Which of the following is not an objective of monetary policy?
(a) Price stability (b) Balance of Payments equilibrium
(c) Economic growth (d) Reduction in export
9. Which of the following is not a quantitative credit control measure?
(a) Bank rate (b) Cash reserve ratio
(c) Regulation of margin requirement (d) Open Market operation
10. Quantity theory of money was developed by
(a) Marshall (b) Keynes (c) Ricardo (d) Fisher

Part B

5 X 6=30

Answer the following

Answer should not exceed 400 words or two pages

- 11 a. What are the qualities of good money?
(or)
- 11 b. Write a note on systems of note issue in India.
- 12 a. What are the static functions of money?
(or)
- 12 b. What are the secondary functions of money?
- 13 a. Write in brief note on the classical view of demand for money.
(or)
- 13 b. How is money supply and price level are related ?
- 14 a. What are the causes of deflation?
(or)
- 14 b. Suggest various methods to control inflation.
- 15 a. What are the limitations of monetary policy?
(or)
- 15 b. What are the objectives of monetary policy?

Part C

5 x 12=60

Answer the following

Answer should not exceed 800 words or four pages

- 16 a. Discuss the principal difficulties faced by a barter economy.
(or)
- 16 b. Examine the origin and evolution of money.
- 17 a. Discuss the main functions of money.
(or)
- 17 b. "Money is a good servant but a bad master"- Explain.
- 18 a. Critically examine the liquidity preference for the demand for money.
(or)
- 18 b. Explain Friedman's demand for money theory.
- 19 a. Critically examine the quantity theory of money.
(or)
- 19 b. Analyze the causes of inflation.
- 20 a. Examine the importance of monetary policy in developing economy.
(or)
- 20 b. Explain in detail the various monetary policy instruments.