



**Avinashilingam Institute for Home Science and Higher Education for Women**

Deemed to be University Estd. u/s 3 of UGC Act 1956, Category A by MHRD (now MoE)

Re-accredited with A++ Grade by NAAC. CGPA 3.65/4, Category I by UGC

Coimbatore - 641 043, Tamil Nadu, India

**Master's Degree Examination – May 2025**

**II Semester**

**Class : I P.G.**  
**Major : Economics**

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

**23MECC11 Monetary Economics**

**Course Outcomes:**

CO1: Discern different approaches to the theory of demand for money

CO2: Understand the operation of financial markets.

CO3: Comprehend the techniques of monetary policy.

CO4: Examine the link between financial markets and the real economy

CO5: Apply the key models and concepts in monetary economics to current events.

**Part A**

**10 x 1 = 10**

**Choose the Correct Answer**

1. Cambridge quantity theory of money focuses on CO1K3  
a. money demand   b. money supply   c. period of time   d. flow of money
2. Keynesian theory of money integrates monetary theory with the general theory of CO1K2  
a. money   b. value   c. capital   d. NBF1
3. \_\_\_\_ cost is the interest income forgone due to holding of cash CO2K3  
a. Transaction   b. Fixed   c. Variable   d. Opportunity
4. Demand for money as a medium of exchange is called the \_\_\_\_ demand for money. CO2K4  
a. supply   b. greater   c. transaction   d. lesser
5. Money market trades in \_\_\_\_\_ term debt investment. CO3K3  
a. short   b. long   c. medium   d. very long
6. The limit of credit creation is determined by CO3K5  
a. RBI   b. Commercial bank   c. Government   d. NBF1
7. Selective credit control is an \_\_\_\_\_ instrument. CO4K2  
a. direct   b. indirect   c. quantitative   d. none of the above
8. SLR CO4K4  
a. Standard Loan Ratio   b. Standard liquidity Ratio  
c. Standard Liquidity Ratio   d. Statutory Liquidity Ratio
9. Financial markets are classified into CO5K2  
a. 1   b. 2   c. 3   d. 4
10. \_\_\_\_\_ is the largest financial intermediary. CO5K3  
a. Bank   b. Stock exchange   c. Mutual Funds   d. Insurance Companies

**Part B**

**5 x 6 = 30**

**Answer ALL questions**

**Each answer should not exceed 400 words or two pages**

- 11.a. What is a flexible pricing model? Explain. CO1K2  
(or)  
11.b. Write a note on the classical theory of demand. CO1K3
- 12.a. Bring out the relationship between demand for money and interest rate. CO2K4  
(or)  
12.b. Explain Baumol's theory of demand for money. CO2K5
- 13.a. Explain the characteristics of money market. CO3K4  
(or)  
13.b. What are the functions of commercial banks? CO3K5
- 14.a. Explain the interrelationship between monetary and fiscal policies. CO4K2  
(or)  
14.b. Point out the objectives of monetary policy. CO4K4
- 15.a. Explain the classification of financial markets. CO5K3  
(or)  
15.b. Who are the players in financial markets? CO5K4

**Part C**

**5 x 12 = 60**

**Answer ALL questions**

**Each answer should not exceed 800 words or four pages**

- 16.a. Critically evaluate the Keynesian demand for money function. CO1K3  
(or)  
16.b. Examine the views of Gurley Shaw and its implications for monetary policy. CO1K4
- 17.a. Explain Tobin's Portfolio Approach to Demand for Money. CO2K3  
(or)  
17.b. Analyse Patinkin's real balance effect. CO2K4
- 18.a. Describe the role of NBFIs in Economic Development. CO3K2  
(or)  
18.b. Examine the functions of Central Bank. CO3K4
- 19.a. Explain the various instruments of monetary management. CO4K3  
(or)  
19.b. Is monetary policy effective in a developing country? Explain. CO4K4
- 20.a. Analyze the genesis and components of the global financial crisis. CO5K3  
(or)  
20.b. Examine the various financial sector reforms in India. CO5K2

\*\*\*\*\*