

12 MAY 2016

ECO/VI/11

2016

( 6th Semester )

ECONOMICS

ELEVENTH PAPER

( Financial Institutions and Markets )

Full Marks : 75

Time : 3 hours

( PART : B - DESCRIPTIVE )

( Marks : 50 )

The figures in the margin indicate full marks for the questions

UNIT—I

1. What are the main functions of the Reserve Bank of India? 10

Or

Describe the various instruments used by Central Bank to control credit. 10

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UNIT—II

2. Explain the process of credit creation by Commercial Banks. 10

Or

Distinguish between money market and capital market. Describe the components of money supply. 3+7=10

UNIT—III

3. Examine the role of Non-Banking Financial Institutions (NBFIs) in the Indian economic development. 10

Or

Describe the structure of cooperative banks in India. 10

UNIT—IV

4. Describe the structure of financial markets in India. 10

Or

Describe the major financial sector reform measures initiated in India. 10

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( Continued )

( 3 )

UNIT—V

5. Define foreign exchange rate. Explain with diagram how fixed foreign exchange rate is determined by the monetary authority. 3+7=10

Or

Write notes on the following : 5+5=10

- (a) Spot exchange rates
- (b) Role of Eurodollar market

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( 6th Semester )

**ECONOMICS****ELEVENTH PAPER****( Financial Institutions and Markets )**

( PART : A—OBJECTIVE )

( Marks : 25 )

*The figures in the margin indicate full marks for the questions***SECTION - A**

( Marks : 10 )

Tick (✓) the correct answer in the brackets provided :  $1 \times 10 = 10$ 

1. The RBI was nationalised on

(a) 1st April, 1935 ( )

(b) 1st January, 1949 ( )

(c) 1st May, 1947 ( )

(d) 1st June, 1949 ( )

2. Open market operation is

- (a) buying and selling of government securities ( )
- (b) sale of government securities ( )
- (c) buying and selling of government cheques ( )
- (d) All of the above ( )

3. Money market deals in

- (a) long-term funds ( )
- (b) medium-term funds ( )
- (c) short-term funds ( )
- (d) None of the above ( )

4. In July 1969, 14 major Indian scheduled banks were nationalised and 6 more banks were nationalised in

- (a) April 1980 ( )
- (b) May 1980 ( )
- (c) April 1981 ( )
- (d) May 1981 ( )

5. Among Mutual Funds Industry in India, the top and dominating position is held by

- (a) GIC ( )
- (b) LIC ( )
- (c) IDBI ( )
- (d) UTI ( )

6. Eurodollar means

- (a) a special type of dollar with high quality ( )
- (b) rate of exchange between US dollar and Euro currencies ( )
- (c) all US dollar deposits in banks outside the United States ( )
- (d) all currencies deposited with the Federal Reserve Bank ( )

7. Commercial bills issued by firms, generally are of

- (a) one-month maturity ( )
- (b) two-month maturity ( )
- (c) three-month maturity ( )
- (d) six-month maturity ( )

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8. LIC was established in

- (a) 1955 ( )
- (b) 1956 ( )
- (c) 1957 ( )
- (d) 1958 ( )

9. The system of exchange rate in which the value of a currency is allowed to adjust freely or to float is called

- (a) flexible exchange rate ( )
- (b) fixed exchange rate ( )
- (c) spot exchange rate ( )
- (d) All of the above ( )

10. As a result of higher inflation rate in India

- (a) the US dollar depreciates ( )
- (b) the Indian rupee appreciates ( )
- (c) the Indian rupee depreciates ( )
- (d) the US dollar and the Indian rupee remain the same ( )

SECTION—B

( Marks : 15 )

Write short notes on the following :

3×5=15

- 1. Objectives of monetary policy

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2. Functions of commercial banks

1. To accept deposits from the public and to pay out the same to the depositors.

2. To provide loans to the public and to the business community.

3. To act as a clearing house for the payment of cheques and bills.

4. To provide a safe place for the storage of money and valuables.

5. To provide a means of exchange for the public.

6. To provide a means of credit to the public.

7. To provide a means of payment to the public.

8. To provide a means of investment to the public.

9. To provide a means of insurance to the public.

10. To provide a means of information to the public.

3. Development banks

1. To provide long-term loans to the public and to the business community.

2. To provide a means of investment to the public.

3. To provide a means of insurance to the public.

4. To provide a means of information to the public.

5. To provide a means of credit to the public.

6. To provide a means of payment to the public.

7. To provide a means of exchange for the public.

8. To provide a means of clearing house for the payment of cheques and bills.

9. To provide a safe place for the storage of money and valuables.

10. To provide a means of investment to the public.

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4. Stock market

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5. Forward exchange rates

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