

DOON UNIVERSITY, DEHRADUN
Third Semester Examination, 2014
School of Social Sciences
Msc.Economics Integrated
Course Code: SSEI-650 Money & Banking

Time Allowed: 2 Hours

Maximum Marks: 30

Note: Attempt All Questions from Sections A & any 4 questions from Section B & any two questions from Section C

Section A (Do not write more than 20-25 words)

(1*5=5)

1. The highest rate of interest is obtained in _____ deposits while lowest in _____.
2. Traditional money lacked _____, _____ & _____.
3. Circular flow of money _____ when there is high level of employment which generates _____ & leads to _____.
4. Keynes theory of demand is contained in the book namely, _____.
5. If a person has surplus of money & he wants to keep in the banks for high yields & he does not prefer liquidity, what type of deposit would you recommend?

Section B (Do any 4 questions & do not write more than 100 words)

(2.5*4=20)

1. What is money multiplier? How do we derive it?
2. Explain with the help of diagram, the total demand for money.
3. Explain in brief any 5 factors that influence velocity of circulation of money.
4. What are the conditions that need to be fulfilled to be called as a scheduled bank?
5. Briefly explain the different views of Baumol & Tobin on demand for money.

Section C (Long answer type questions. Use diagram, equation, examples wherever necessary)

(7.5*2=15)

1. If a deposit of Rs 8,000 is kept by Mr.Ahuja in State Bank of India & the CRR declared by RBI is 4%, calculate the total amount of credit State bank is able to create. Also, explain if –

- a) CRR given in the question increases to 8% what will be the changes?
- b) If the banking habits of the people are conservative what will be the consequences?
- c) If the people lack valuable securities, how would it effect?

With this respect, explain why would you consider a commercial bank as most important component in the banking structure?

OR

Any economy is unable to succeed if its monetary control lies in poor hands. With this reference, throw some importance of the backbone institutions which controls the financial flow in an economy. Also, explain how it uses its expansionary monetary policy?