

**Ba/EC5.M5**

**2 0 2 5**

( FYUGP )

( 5th Semester )

**ECONOMICS**

( MINOR )



Paper Code : EC5.M5

**( Intermediate Macroeconomics—II )**

*Full Marks : 75*

*Pass Marks : 40%*

*Time : 3 hours*

**( PART : B—DESCRIPTIVE )**

*( Marks : 50 )*

*The figures in the margin indicate full marks  
for the questions*

**UNIT—I**

1. Explain the concept of money supply.  
Discuss the factors responsible for the rapid  
increase in money supply. 2+8=10

**OR**

2. Explain the behavioural model of money  
supply. 10

UNIT—II

3. Discuss Tobin's portfolio approach to the demand for money. 10

**OR**

4. Discuss Friedman's reformulation of the quantity theory of money. 10

UNIT—III

5. Discuss the objectives and the role of monetary policy. 10

**OR**

6. Explain the working of the 'H' theory of money. What are the major implications of the theory on monetary policy of an economy? 10

UNIT—IV

7. What is fiscal policy? Explain the objectives of fiscal policy in a developing country like India. 2+8=10

**OR**

8. Explain the recent developments in the Indian fiscal system. 10

UNIT—V

9. Discuss the role of a Central Bank in a developing country. 10

**OR**

10. Explain the process of credit creation by commercial banks. 10

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( PART : A—OBJECTIVE )

( Marks : 25 )

*The figures in the margin indicate full marks for the questions*

**I. Choose the correct answer by putting a Tick (✓) mark  
in the brackets provided : 1×15=15**

1. Which of the following is known as  
'broad money'?

(a) M1 ( )

(b) M2 ( )

(c) M3 ( )

(d) M4 ( )

2. The supply of money is a
- (a) flow variable ( )
  - (b) stock variable ( )
  - (c) combination of flow and stock variables ( )
  - (d) None of the above ( )

3. RBI considers money multiplier ( $K_M$ ) as a ratio of

- (a)  $K_M = \frac{M_0}{M_3}$  ( )
- (b)  $K_M = \frac{M_3}{M_0}$  ( )
- (c)  $K_M = \frac{M_1}{M_3}$  ( )
- (d)  $K_M = \frac{M_3}{M_1}$  ( )

4. According to Baumol's inventory approach, the transactions demand for money varies

- (a) inversely with real income ( )
- (b) directly with rate of interest ( )
- (c) Both (a) and (b) ( )
- (d) None of the above ( )

5. The real balance effect was put forward by

- (a) Milton Friedman ( )
- (b) J. M. Keynes ( )
- (c) A. C. Pigou ( )
- (d) None of them ( )

6. \_\_\_\_\_ is the rate at which the RBI lends money to commercial banks.

- (a) Lending interest rate ( )
- (b) Cash reserve ratio ( )
- (c) Repo rate ( )
- (d) Reverse repo rate ( )

7. Which of the following is not an instrument of monetary policy?

- (a) Tariffs ( )
- (b) Moral suasion ( )
- (c) Open market operations ( )
- (d) Credit rationing ( )

8. Which of the following monetary measures will lead to a decrease in the supply of money in the economy?

- (a) Reduction in repo rate ( )
- (b) Reduction in reverse repo rate ( )
- (c) Increase in statutory liquidity ratio ( )
- (d) None of the above ( )

9. The instruments of monetary policy which directly affect the quantity of money supply are

- (a) quantitative instruments ( )
- (b) qualitative instruments ( )
- (c) money instruments ( )
- (d) None of the above ( )

10. There can be 'complete crowding-out effect' when

- (a) LM function is perfectly elastic ( )
- (b) LM function is perfectly inelastic ( )
- (c) IS function is perfectly elastic ( )
- (d) IS function is perfectly inelastic ( )

11. In which year was the FRBM Act enacted?

- (a) 2003 ( )
- (b) 2008 ( )
- (c) 2013 ( )
- (d) 2018 ( )

12. Who regulates the functioning of District Cooperative Banks in India?

- (a) State Government ( )
- (b) RBI ( )
- (c) State Cooperative Banks ( )
- (d) None of the above ( )

13. Which of the following is a function of commercial banks?

- (a) Banker to the government ( )
- (b) Accepting deposits from the public ( )
- (c) Monopoly of issuing notes ( )
- (d) All of the above ( )

14. To restrict the expansion of credit, the Central Bank

- (a) lowers the bank rate ( )
- (b) purchases securities ( )
- (c) lowers the variable reserve ratio ( )
- (d) raises the bank rate ( )

15. RRBs are a part of which of the following?

- (a) The National Bank for Agriculture and Rural Development (NABARD) ( )
- (b) The Reserve Bank of India ( )
- (c) The Ministry of Finance ( )
- (d) The Ministry of Rural Development ( ) of Rural

II. Answer/Write short notes on any five of the following : 2×5=10

1. Explain the meaning of money supply.

2. Determinants of money supply

3. Liquidity trap

4. Define monetary policy.

5. Instruments of fiscal policy

6. Regional Rural Banks (RRBs)

7. Cooperative Banks

8. NBFC

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