

QUESTION BANK

Department of Economics

Semester – V, DSE – II

MONEY BANKING AND FINANCIAL MARKET

Fill in the blanks

1 × 12 = 12

1. The money whose face value is equal to its intrinsic value is called _____ money.
2. Bill of exchange is a _____ money.
3. Medium of exchange and _____ are the primary function of money.
4. The cash balance approach to the quantity theory of money is based upon _____ function of money.
5. _____ banks create credit.
6. _____ is the most liquid asset of the balance sheet of a commercial bank.
7. The three main objectives of portfolio management are liquidity, solvency and _____.
8. Quantitative method controls the _____ of credit.
9. Moral suasion is a tool of _____ method to control credit.
10. Bill market is one of the constituents of _____ market.
11. M3 is the sum of M1 and _____.
12. Cash transaction approach is based upon the _____ function of money.
13. Money in circulation is called _____.
14. The money which is accepted by everyone and no one can deny to accept it is known as _____.
15. Cheques are _____ money.
16. The assets which perform some functions of money but cannot be directly used for transaction is known as _____.

17. Bills of Exchange, Bond, Equity are examples of _____ money.
18. The money for which face value is equal to intrinsic value is called _____.
19. Money supply in India is done by _____.
20. Standard of deferred payment facilitates _____ transaction.
21. Black money is called _____ economy.
22. Contingent function of money includes distinguish of NY, Maximisation of satisfaction and _____.
23. The purchasing power of money is called _____.
24. Value of money is inversely related to _____.
25. _____ indicates the average of change in the price of goods at one time in comparison with that at some other time taken as the base period.
26. In weighted aggregative method _____ formula is considered best.
27. _____ is constructed on the basis of the wholesale price of certain goods.
28. The producer price index is published by _____ in India.
29. _____ and _____ are used to measure cost of living of people over time.
30. Money supply is independent of _____.
31. Friedman's theory of demand for money is a _____ theory of demand.
32. Tobin told as market rate of interest _____ the individual is within to bear more risk by holding more bond and less money.
33. Money supply in India is controlled by RBI through _____.
34. The creation of bank money depends on _____ activity of bank and _____.
35. Monetarist held money supply to currency plus demand deposit plus _____ deposit.
36. Total money supply of a country is affected by money supply and _____.
37. A bank is an institution that deals with money and _____.
38. The withdrawal system in which withdrawal is more than deposit is called _____.
39. Central Bank implements monetary policy through _____.
40. The statement of liability and assets of a bank is called _____.

41. A bank is called bankrupt when assets are _____ liability.
42. Portfolio management aims at optimum balance among _____.
43. A bank differs from other financial institution because _____.
44. Bank credit means bank _____.
45. The deposit made by bank while granting loan is known as _____.
46. The deposit made by public is called _____.
47. The bank need to keep a part of primary deposit to meet the need of the depositor is called _____.
48. Credit multiplier is the reciprocal of _____.
49. Higher the cash reserve rating _____ is the credit creation.
50. The full name of MUDRA bank is _____.
51. Capital adequacy ratio is the ratio which determines bank's capacity to meet the _____ of bank.
52. Central bank adopts _____ to control credit in the country.
53. The minimum charge/rate charged by the Central Bank for discounting approved bills of exchange is called _____.
54. The difference between security value and loan value is called _____.
55. RBI was nationalized or _____.
56. RBI reduces bank rate to _____ money supply in the country.
57. Credit is also called _____ finance.
58. Financial system refers to mobilization of surplus resources from _____ to _____.
59. The three main constituents of financial system are _____, _____ and _____.
60. Call money market, trade bill market are examples of _____ market.
61. Capital market deals in _____ loans.
62. Capital market provides long term finance for purchasing _____.
63. _____ refers to institutional arrangements dealing with short term borrowing and lending of funds.
64. LIC is an institution in _____.
65. Commercial banks and Provident Funds make most investment in _____.
66. Primary capital market deals in _____.

67. Gift-edged market deals in _____.

68. SEBI stands for _____.

69. Secondary capital market deals in security already existing is called _____.

Answer following questions within two or three sentences 2 × 8 = 16

1. Money acts as a link between present and future.
2. What is repo rate?
3. What is SEBI?
4. What is margin requirement?
5. What is varying cash reserve ratio?
6. What is balance sheet of a commercial bank?
7. What is overdraft system?
8. What is speculative demand for money?
9. Every deposit creates a loan. Explain.
10. What is high powered money?
11. Quantity of good money.
12. Fiat money.
13. Near money.
14. Representative paper money.
15. Standard of deferred payment.
16. Dynamic function of money.
17. Consumer price index.
18. GDP deflator.
19. Wage index number.
20. Cost of living index number.
21. Liquidity trap.
22. Pigou effect.
23. Risk aversion.
24. Precautionary motive of liquidity demand.
25. Bank money.
26. Velocity circulation of money.

27. Liquidity portfolio of commercial bank.
28. Credit creation.
29. Saving deposit.
30. Cash credit.
31. Cash reserve ratio.
32. Derived deposit.
33. Lender of last resort.
34. Quantitative method.
35. Tight monetary policy.
36. Deficit financing.
37. Forbidden policy of RBI.
38. Soft interest rate.
39. Money market.
40. Capital market.
41. Call Money market.
42. Collateral loan market.
43. Acceptance market.
44. Bill market.
45. Mutual fund.
46. Venture capital.

Write notes on the following questions within 75 words $3 \times 8 = 24$

1. Token money.
2. Value of money.
3. Monopoly of note issue.
4. Unit banking.
5. Branch banking.
6. Call Money market.
7. Wholesale price index number.
8. Secondary Capital market.
9. Real balance effect.
10. Treasury bill.

11. Near money.
12. Similarities between money and near money.
13. Monetarist approach to definition of money.
14. Secondary function of money.
15. Difference between CPI & GDP deflator.
16. Value of index number.
17. Simple aggregative method.
18. Retail price index number.
19. Keynes effect.
20. Speculative demand for money.
21. Money multiplier.
22. Determinants of money supply.
23. Cash credit.
24. Destruction of credit.
25. Leaf canon criticism.
26. Kisan credit card.
27. MUDRA bank.
28. Demonitisation.
29. NABARD.
30. Capital Adequacy Ratio.
31. Liberalisation.
32. Bank rate.
33. Open market operation.
34. Margin requirement.
35. Consumer credit.
36. Repo rate.
37. Moral suasion.
38. Statutory liquidity ratio.
39. Financial assets.
40. Financial market.
41. Venture capital.
42. Debenture.
43. Gilt-Edged market.

44. National stock exchange of India.

Answer the followings within 500 words

7 × 4 = 28

1. Explain Friedman's Quantity theory of money.
2. What is index number? Describe how it is constructed?
3. What is portfolio management? Discuss its principles.
4. Explain lessons from global financial crisis and policy response in India.
5. Explain quantitative methods of credit control.
6. Explain the functions of a central bank.
7. Describe the functions of capital market.
8. What is money market? Describe the various constituents of money market.
9. Discuss the qualities of good money.
10. Explain money is a mixed blessing to society.
11. Give a brief note on importance of index number.
12. Discuss different steps in construction of price index number.
13. Explain Keynes's theory of demand for money.
14. Analyse Portfolio Balance approach of demand for money.
15. Explain theory of money supply with the help of money multiplier.
16. Explain role of commercial bank in a developing country.
17. Distinguish between unit banking and branch banking system. Which one is better?
18. Discuss the functions of commercial bank.
19. Draw a balance sheet of a commercial bank and point out its significance.
20. Explain the process of credit creation of a commercial bank. Can a commercial bank create credit infinitely?
21. Explain functions of central bank.
22. Distinguish between bank rate and open market operation. Which one is better in controlling credit?
23. Explain changing monetary policy adopted by RBI during plan periods.
24. Discuss the functions and importance of capital market.
25. Explain the functions and importance of money market.

26. Explain the defects of Indian Stock market.

27. What is Gift-edged market? Discuss reforms in Govt. securities market made by Govt. of India.