07/6/2024   **Your Roll No**...............

Sr. No. of Question Paper **:** 5285   **H**

Moorning

Unique Paper Code   : 2273102006

Name of the Paper   : MONEY AND FINANCIAL
                           MARKETS

Name of the Course   : **B.A. (HONS.) ECONOMICS**

Semester   : IV

Duration : 3 Hours   Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt
    of this question paper.

2. **All** questions carry equal marks.

3. Answer any **Five** questions.

1. (a) The Third Working Group on Money Supply (1998)
        under the chairmanship of Dr YV Reddy observed
        that the prevailing set of monetary aggregates were
        not in conformity with the largely followed norms

of progressivity in terms of liquidity. Briefly discuss the major recommendations made by the group in order to address the problem with the prevailing set of monetary aggregates. (9)

(b) Suppose the required reserve ratio is 10% of deposits, banks hold 5% of deposits as excess reserves and the public holds 30% deposits as currency.

  (i) Calculate the total money supply if monetary base is Rs. 30 lakh. (3)

  (ii) If Central Bank engages in open market sale of Rs. 10 lakh, calculate the change in money supply. (3)

  (iii) If the currency deposits ratio falls to 25%, what is the impact on exogenous money supply? (3)

2. (a) "The maximum loss from buying a call option is the option price and there is substantial upside potential for the buyer" – Explain this statement with a suitable example. (9)

  (b) Briefly explain the major Banking Reforms in India since 1991. (9)

3. (a) A Coupon Bond maturing in one year has a face value of Rs. 1000 and coupon rate of 8%. If the market interest rate is 6% at the time of purchase, calculate :

     (i) Price of the coupon bond   (2)

     (ii) Current yield   (2)

     (iii) Yield to maturity of this bond   (2)

(b) Write short note on any two   (6 Marks each)

     (i) Difference between Future and Forward Contracts

     (ii) Risk-return profile of Put Option (Long Put Position)

     (iii) Differentiate between Exogenous and Endogenous money supply curves.

4. (a) 'It is not merely the number of instruments that is important, but the number of instruments exerting independent effects on the target variables'- Explain this statement in the context of monetary policy targets and achievements.   (9)

(b) Discuss the effectiveness of M CLR system in improving the transmission effects of monetary policy. (9)

5. Explain how the expectations and segmented-markets hypothesis are extreme versions of the preferred-habitat hypothesis. Give an example to illustrate your explanation. (18)

6. (a) Discuss the implementation lag and effectiveness lag in monetary policy. (10)

(b) What are the key components of the monetary policy framework? Discuss the multiple indicator approach to monetary policy? (8)