

2025

ECONOMICS — HONOURS

Paper : DSE-A-2.1

(Money and Financial Market)

Full Marks : 65

*The figures in the margin indicate full marks.**Candidates are required to give their answers in their own words as far as practicable.*

Group - A

1. Answer *any ten* questions :

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| (a) What do you mean by qualitative credit control? | 2 |
| (b) Explain how does the bank rate influences the total money supply in the economy. | 2 |
| (c) What do you mean by commercial paper? | 2 |
| (d) What is leveraging? | 2 |
| (e) Distinguish between gross and net interest rate. | 2 |
| (f) State any two functions of the financial intermediaries in an economy. | 2 |
| (g) Mention any two measures adopted by RBI in order to control inflation. | 2 |
| (h) Define the term structure of interest rate. | 2 |
| (i) Define market risk. | 2 |
| (j) Can the interest rate be zero? Explain. | 1+1 |
| (k) Distinguish between call and put option. | 2 |
| (l) What is Mutual Fund? | 2 |
| (m) What is a yield curve? | 2 |
| (n) Explain the difference between ordinary share and preference share. | 2 |
| (o) What is liquidity adjustment facility? | 2 |

Group - B

Answer *any three* questions.

5×3

2. Write a short note on the sources of interest rate differentials.
3. Distinguish between money market and capital market.

Please Turn Over

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4. Write a short note on Hicks-Hansen's theory of Interest Rate determination.
5. How does a commercial bank create money?
6. Explain in brief the factors that determine the supply of money.

Group - C

Answer *any three* questions.

7. Discuss the major recommendation of the first and second Narasimham Committee. How far these recommendations guided the banking sector reforms in India? 7+3
 8. What do you mean by sterilization by Central Bank? Explain the concept using suitable diagram. 2+8
 9. (a) Distinguish between primary and secondary market in the financial system.
(b) Give a brief account of the major money market instruments in India. 2+8
 10. What is financial derivative? State its features. Explain how Call and Put options are traded in the financial market with suitable examples. 1+3+6
 11. Explain the difference between adverse selection and moral hazard. In what kind of financial instrument moral hazard can be easily observed? Why? 6+4
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