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**PRESIDENCY UNIVERSITY  
BENGALURU**

**SCHOOL OF COMMERCE  
END TERM EXAMINATION - JAN 2023**

**Semester :** Semester III - 2021  
**Course Code :** BSE1015  
**Course Name :** Sem III - BSE1015 - Monetary Economics  
**Program :** B.Sc. Economics

**Date :** 11-JAN-2023  
**Time :** 1.00PM - 4.00PM  
**Max Marks :** 100  
**Weightage :** 50%

**Instructions:**

- (i) Read all questions carefully and answer accordingly.
- (ii) Question paper consists of 3 parts.
- (iii) Scientific and non-programmable calculator are permitted.

**PART A**

**ANSWER ALL THE FOLLOWING QUESTIONS**

**10 X 2 = 20M**

1. Commodity for commodity is system also known as  
a) Barter system (CO1) [Knowledge]  
b) Buy and sell for Money  
c) None of the above
2. Barter system where goods are directly exchanged without the use of money, double coincidence of wants is an essential feature.  
a) True (CO1) [Knowledge]  
b) False  
c) Cannot be explained
3. Identify the Equation:  $MV=PT$   
a) Classical QTM (CO2) [Knowledge]  
b) Keynesian QTM  
c) Tobin Portfolio Theory
4. The Fisher's Quantity Theory of Money explains the money value considering the Money Supply, velocity of money circulation, \_\_\_\_\_ and \_\_\_\_\_  
a) Price Level and Number of Transactions (CO2) [Knowledge]  
b) Number of Wholesalers and retailers  
c) Demand and Supply

5. The main purpose of Monetary policy is :  
 a) Wealth stability (CO3) [Knowledge]  
 b) Price stability  
 c) Income stability
6. Permanent income Hypothesis is propounded by  
 a) Milton Friedman (CO2) [Comprehension]  
 b) J.M Keynes  
 c) James Tobin
7. According to Tobin, Rate of Interest and Liquidity Preference is  
 a) Inversely Proportional (CO2) [Comprehension]  
 b) Directly Proportional  
 c) No relationship exist
8. "There are constant returns to scale so that prices do not rise or fall as output increases" is an assumption from which quantity theory of money  
 a) Keynesian QTM (CO2) [Comprehension]  
 b) Fishers QTM  
 c) Cambridge version of QTM
9. Monetary Policy is released by :  
 a) Finance Ministry of India (CO4) [Comprehension]  
 b) Group of Commercial Banks  
 c) RBI  
 d) None of the above
10. The rate at which the RBI lends money to Commercial banks is  
 a) Rate of Interest (CO4) [Comprehension]  
 b) Bank rate  
 c) Repo rate  
 d) None of the above

## PART B

**ANSWER ALL THE FOLLOWING QUESTIONS**

**4 X 10 = 40M**

11. There are many approaches for Quantity theory of money. Among it is the classical approach. There are many classical theorists who have propounded the similar theories with similar assumptions but have different perspective about the money supply and its influents. Among them is the Cambridge version or cash balance approach. Elaborate on the same theory with suitable equations and neatly labelled diagrams  
 (CO1) [Comprehension]
12. Keynes does not agree with the older quantity theorists that there is a direct and proportional relationship between quantity of money and prices. According to him, the effect of a change in the quantity of money on prices is indirect and non-proportional. Based on the above statement, what are the assumptions considered by classical theory that Keynes disapprove and what are the assumptions that Keynes has propounded in his own theory. Elucidate on the working of the Reformulated Quantity theory of Money with labelled diagram.  
 (CO2) [Comprehension]

13. The supply of money is classified into two categories they are Broad money and Narrow money based on its components. Elaborate on the same.

(CO2) [Comprehension]

14. Hicks and Hansen have stressed upon the importance of IS-LM by including both the Goods and Services market and also the Money market. Restate the theory using the diagrams and equations propounded by them with relationship with each of the variables.

(CO3) [Comprehension]

### PART C

ANSWER ALL THE FOLLOWING QUESTIONS

2 X 20 = 40M

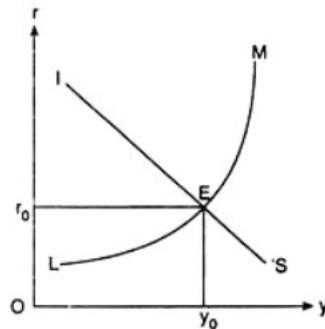
15. Money in some form or another has been part of human history for at least the past 5,000 years. Before that time, historians generally agree that a system of bartering was likely used.

Explain the Barter system of goods and services

Elaborate on the features of coins that were minted during the era and also importance of having a common unit of value instead of a commodity for commodity exchange system.

(CO2) [Comprehension]

16. Identify the diagram. Hicks and Hansen has considered both Goods market and Money Market to illustrate the equilibrium rate of interest. Elucidate on the Hicks and Hansen Theory of interest rate with Suitable equations and neatly labelled Diagram.



(CO3) [Application]

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