

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)
BA DEGREE EXAMINATION MAY 2025
(Fourth Semester)

Branch - **ECONOMICS**
MONETARY ECONOMICS

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks)

Answer **ALL** questions

ALL questions carry EQUAL marks

(10 × 1 = 10)

Module No.	Question No.	Question	K Level	CO
1	1	The dynamic role of money refers to its ability to: a) Maintain a stable value over time b) Act as a medium of exchange in barter systems c) Influence economic activities like investment and production d) Measure the value of goods and services	K1	CO1
	2	Which of the following is NOT a primary function of money? a) Medium of exchange b) Store of value c) Unit of account d) Means of production	K2	CO1
2	3	If the central bank wants to reduce the money supply, it could: a) Buy government bonds in the open market b) Increase the reserve requirement ratio c) Lower interest rates d) Reduce taxes	K1	CO2
	4	Which of the following actions would decrease the money supply in an economy? a) Reducing the reserve requirement b) Selling government securities in open market operations c) Lowering the interest rates d) Lowering the discount rate	K2	CO2
3	5	Inflation is defined as a: a) Decrease in the price level b) Increase in the supply of goods and services c) Increase in the price level d) Decrease in the money supply	K1	CO3
	6	The Phillips curve suggests a trade-off between: a) Inflation and money supply b) Inflation and unemployment c) Unemployment and wages d) Unemployment and government spending	K2	CO3
4	7	A commercial bank's role in the economy is most closely associated with: a) Controlling inflation b) Facilitating international trade c) Providing loans and credit to individuals and businesses d) Regulating money supply	K1	CO4
	8	Which of the following is an example of a capital market instrument? a) Treasury bills b) Stocks c) Certificates of deposit d) Money market funds	K2	CO4
5	9	Which of the following is the primary objective of a central bank? a) Controlling inflation b) Reducing unemployment c) Maximizing government revenues d) Regulating stock markets	K1	CO5
	10	Which of the following is NOT a function of a central bank? a) Regulating interest rates b) Acting as a lender of last resort c) Managing government expenditure d) Controlling inflation	K2	CO5

Cont...

SECTION - B (35 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks

(5 × 7 = 35)

Module No.	Question No.	Question	K Level	CO
1	11.a.	Bring out the merits and demerits of gold standard.	K2	CO1
	(OR)			
	11.b.	Write a short note on digital money.		
2	12.a.	Explain the Cambridge cash balance approach to quantity theory of money.	K3	CO2
	(OR)			
	12.b.	What are the determinants of money supply?		
3	13.a.	Construct the concept of inflationary gap.	K3	CO3
	(OR)			
	13.b.	Explain the types of inflation?		
4	14.a.	Categorize the constituents of money market.	K4	CO4
	(OR)			
	14.b.	List out the primary functions of a commercial bank?		
5	15.a.	Assume the role of monetary policy in a developing economy.	K4	CO5
	(OR)			
	15.b.	Analyse the instruments of monetary policy?		

SECTION - C (30 Marks)

Answer ANY THREE questions

ALL questions carry EQUAL Marks

(3 × 10 = 30)

Module No.	Question No.	Question	K Level	CO
1	16	Analyse the various functions of money.	K4	CO1
2	17	Critically examine Fishr's quantity theory of money.	K4	CO2
3	18	Determine the various effects of inflation.	K5	CO3
4	19	Explain the features of capital market.	K5	CO4
5	20	Classify the functions of central bank.	K4	CO5

Z-Z-Z

END