

THIRD SEMESTER B.A. DEGREE EXAMINATION, NOVEMBER 2014

(UG-CCSS)

Complementary Course – Economics

EC 3C 01—ESSENTIALS OF ECONOMICS – MONEY, BANKING, FINANCE AND TRADE

(2013 Admissions)

Time : Three Hours

Maximum : 30 Weightage

*Answers may be written either in English or in Malayalam.***Part A***Answer all twelve questions.***I. Objective type questions :**

1 Under conditions of inflation, value of money :

- (a) Remains the same. (b) Falls.
(c) Increases. (d) Increases more than proportionately.

2 ICICI Bank is a :

- (a) Development bank. (b) Public sector bank.
(c) New generation bank. (d) Foreign commercial bank.

3 The latest finance commission is :

- (a) 12th Finance Commission. (b) 15th Finance Commission.
(c) 13th Finance Commission. (d) 14th Finance Commission.

4 Who determines the exchange rate in India now ?

- (a) **RBI.** (b) Market forces of supply and demand.
(c) **IMF.** (d) Government of India.

II. Fill in the blanks :

5 In the Fisherian equation of exchange, V and _____ are assumed to be constant.

6 The fastest method of remittance through the Commercial bank is _____

7 The single largest source of tax for the Union Government is _____

8 The comparative cost advantage theory of international trade was developed by _____

III. State True or False :

- 9 Open market operations is a general method of credit control.
- 10 Monetary policy in India is announced by the Ministry of Finance.
- 11 VAT is a tax levied and collected by the Union Government.
- 12 India has not devalued its currency after 1991.

(12 x 3 = 36 weightage)

Part B (Short Answer Type Questions)

Answer all nine questions.

- 13 What are the different types of inflation ?
- 14 What are credit instruments ?
- 15 What are the major sources of finance for the State Government in India ?
- 16 State the objectives of the finance commission.
- 17 Distinguish between balance of trade and balance of payments.
- 18 What are the static functions of money ?
- 19 Examine the operation of the repo rate mechanism in India.
- 20 State the comparative cost advantage cost theory of international trade.
- 21 Write a note on public debt.

(9 x 1 = 9 weightage)

Part C (Short Essays/Paragraph Questions)

Answer any five out of seven.

- 22 Examine the effects of inflation.
- 23 Assess the changing role of Commercial banks in India.
- 24 What are the methods of debt redemption ?
- 25 What is the role of finance commission in federal finance ?
- 26 Comment on the objectives of fiscal policy.
- 27 What are the gains from international trade ?
- 28 Write a note on the credit policy of the RBI.

(5 x 2 = 10 weightage)

Part D (Essays)

Answer any two out of three.

- 29 Define inflation. What are the methods to control inflation ?
- 30 Examine the role and functions of central banks in a developing economy.
- 31 Briefly explain the various methods of correcting the disequilibrium in the balance of payments of a country.

(2 x 4 = 8 weightage)