

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 :

(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.

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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

(1) Distinguish between primary and secondary market in the financial system.

(2) Give a brief account of the major money market instruments in India.

(3) Explain how Call and Put options are traded in the financial market with suitable examples.

(4) Explain the difference between adverse selection and moral hazard.

(5) In what kind of financial instrument moral hazard can be easily observed? Why?

(6) Explain the concept of sterilization by Central Bank.

(7) Distinguish between primary and secondary market in the financial system.

(8) Explain how Call and Put options are traded in the financial market with suitable examples.

Group - B

Answer **any two** questions.

(1) Distinguish between primary and secondary market in the financial system.

(2) Explain how Call and Put options are traded in the financial market with suitable examples.

(3) Distinguish between primary and secondary market in the financial system.