

Internal Assessment First Test

Course — G.S. (H)
Sem — II
Paper — Money & Banking

Date — 25/10/23
M.M. — 20
Time — 01 hour
Room — JLR 301

- All questions are compulsory

(i) Define and explain the concepts of deposit multipliers and currency multipliers. (5)

(ii) Explain some of the factors that could lead to financial crisis. Explain the role of asymmetric information in detail in this context. (5)

(iii) Given required reserve ratio is 10%, desired excess reserve ratio is 5% and desired currency to deposit ratio is 5%. How does an open market purchase of Rs. 5,00,000 change deposits, currency holdings and money stock? How does your answer change if the required reserve ratio rises to 20%.

(iv) Differentiate b/w the base rate and Marginal cost of fund based lending rate MCLR. How are these rates useful in monetary transmission.

[Signature]