



# UNIVERSITY OF THE PUNJAB

Seventh Semester – 2019

Examination: B.S. 4 Years Program

Roll No. in Fig. ....

Roll No. in Words. ....

**PAPER: Monetary Economics**  
**Course Code: ECON-405 Part-I (Compulsory)**

**MAX. TIME: 15 Min.**

**MAX. MARKS: 10**

.....  
Signature of Supdt.:

**Attempt this Paper on this Question Sheet only.**

**Please encircle the correct option. Division of marks is given in front of each question.**

**This Paper will be collected back after expiry of time limit mentioned above.**

**Q.1. Encircle the right answer, cutting and overwriting is not allowed. (1x10=10)**

1. Which of the following is not a function of money?
  - a) hedge against inflation
  - b) medium of exchange
  - c) unit of account
  - d) store of value
2. An example of fiat money is
  - a) paper euros.
  - b) gold.
  - c) silver coins.
  - d) cigarettes.
3. If the banks in an economy operate with a reserve ratio of 20 per cent then the money multiplier is:
  - a) 4
  - b) 20
  - c) 25
  - d) 5
4. Reserve requirements that may be imposed on an economy's banks by its central bank specify that banks' reserves must be a minimum percentage of their
  - a) assets.
  - b) deposits.
  - c) loans.
  - d) government bonds.
5. The three main tools of monetary policy are
  - a) fiat, commodity, and deposit money.
  - b) open-market operations, reserve requirements, and the discount rate.
  - c) the money supply, government purchases, and taxation.
  - d) government expenditures, taxation, and reserve requirements.

**P.T.O.**



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Roll No. ....

**PAPER: Monetary Economics**

**Course Code: ECON-405 Part – II**

**MAX. TIME: 2 Hrs. 45 Min.**

**MAX. MARKS: 50**

**ATTEMPT THIS (SUBJECTIVE) ON THE SEPARATE ANSWER SHEET PROVIDED**

Q2.	Write short answers to the following questions.  i) What is Rational Expectation Theory? ii) What is Monetization of Public Debt? iii) What is Regressive Expectation Model? iv) Discuss discount rate as a monetary policy tool. v) What is the role of Financial Intermediaries?	5 x 4 = 20
Q3.	How central bank chooses to target interest rate, inflation or exchange rate?	10
Q4.	Discuss Keynesian liquidity preference framework.	10
Q5.	Discuss current issues in monetary and financial sector reforms	10