



THE ANSWERS MUST BE ATTEMPTED ON THE ANSWER SHEET PROVIDED

Q.1. Answer the following short questions. (6x5=30)

- i. Briefly explain three major tools of monetary policy.
- ii. What is classical Dichotomy?
- iii. Explain demand-pull inflation by giving suitable example.
- iv. What is the difference between fixed and flexible exchange rate regimes?
- v. Explain the difference between ex-ante and ex-post real interest rates.
- vi. Differentiate between neutrality and non-neutrality of money.

Q.2. Answer the following questions. (3x10=30)

- i. What is money as describes by the functions of money? Relative to a barter economy, what problems are overcome by the use of money?
- ii. Explain intuitively how the money multiplier changes when (i) the required reserve ratio increases, (ii) the currency to deposit ratio increases, and (iii) the excess reserve to deposit ratio increases.
- iii. Explain the concept of exchange rate. How can it be determined under fixed and flexible exchange rate regimes?