



I Semester M.Com. Degree Examination, February 2012  
(N.S. (2007-08) Scheme)  
COMMERCE  
Paper – 1.2 : Monetary System

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer **any ten** of the following sub-questions in about **3-4** lines **each**. **Each** sub-question carries **2** marks. (2×10=20)

1. a) Define value of money.
- b) What do you mean by international liquidity ?
- c) What is devaluation ?
- d) What is meant by forex market ?
- e) What do you understand by precautionary motive ?
- f) Define Euro currency market.
- g) Differentiate between currency principle and banking principle.
- h) Give the meaning of flexible exchange rates.
- i) Who are the participants in financial markets ?
- j) What is meant by current account convertibility ?
- k) Define inflation.
- l) Give the meaning of gold bullion standard.

SECTION – B

Answer **any three** questions. **Each** question carries **5** marks. (3×5=15)

2. Explain the functions of money.
3. What are the merits and demerits of a paper currency system ?
4. Discuss in detail Bretton Wood system.
5. Briefly explain the various money market instruments.
6. Explain circular flow of money in the economy.

P.T.O.



## SECTION – C

Answer **any three** from the following questions. **Each** question carries **15** marks. **(15×3=45)**

7. Explain the relationship between prices, employment and the quantity of money. Under what circumstances will prices rise equi-proportionately to increase the quantity of money ?
8. What do you mean by gold standard ? Explain the different types of gold standards, also write about their advantages and disadvantages.
9. What do you understand by 'fundamental disequilibrium in the balance of payments ? What remedies would you suggest to correct it ?
10. Critically examine the salient features of the Indian money market. Write a note on the defects in Indian money market.
11. Explain the recent development in forex markets.