

**GUJARAT NATIONAL LAW UNIVERSITY  
GANDHINAGAR**

Course: Money Banking and Public Finance  
Semester-III (Batch: 2013-18)



End Term Examination: Oct-Nov. 2014

Date: 30<sup>th</sup> October, 2014

Duration: 3 hours

Max. Marks: 50

**Instructions:**

- Read the questions properly and write the answers in the given answer book.
- The respective marks for each question are indicated in-line.
- Do not write any thing on the question paper.
- Indicate correct question numbers in front of the answers.
- No questions or clarifications can be sought during the exam period, answer as it is, giving reason, if any.

Q.1 Explain **any eleven** of the following questions with reasons or examples and draw diagram wherever necessary. (Max. Words: 30-40)

**Marks**  
(11x2  
=22)

- a) Universal Banking system has increased economic efficiency but it has created dilemma of "Too big to fail". Explain why?
- b) Explain fiscal efficiency of an economy from the following two situations. Which situation is good for the economy? Why?
  - (i) When Fiscal Deficit (FD) = 3 and Revenue Deficit (RD) = 0 % and (ii) When Fiscal Deficit (FD) = 3 and Revenue Deficit (RD) = 3 %.
- c) As per the given table, if C.R.R increases from 15% to 20% and S.L.R increases from 25% to 30% then, what will be the loan-able fund?

	Direct Credit /Investment Programme	Percentage
1	C.R.R	15
2	S.L.R	25
3	P.S.L	16
4	D.R.I	1
	Total	57

- d) In Money Multiplier process: Currency deposit ratio (c) = 0.5, required deposit ratio (r) = 0.1 and government purchased 60 crore of government securities from commercial bank (High powered money), then: How much of credit creation will be done by the banks (bank increasing money supply)?
- e) In which conditions buyer and seller will not exercise its rights in call and put option?
- f) Agriculture Debt Waiver and Debt Relief Scheme 2008 for farmers has not ultimately benefited to the targeted marginal and poor farmer. Explain why?
- g) (i) In case of Fixed Exchange Rate and stable capital account (capital outflow = capital inflow)

If import is higher than export, what responsive change will be there in the exchange rate?

- (ii) In case of Flexible Exchange Rate and balance current account (Export = Import)
- If capital outflow is higher than capital inflow, what responsive change will be there in the exchange rate?
- h) Describe degressive taxation and regressive expenditure.
- i) Impact of tax on seller :
- What will be the incidence of taxation when demand is inelastic and the supply curve is normal?
- j) Impact of tax on buyer :
- What will be the incidence of taxation when supply is inelastic and the demand curve is normal?
- k) What will be the incidence of a lump-sum tax in case of Monopoly?
- l) Differentiate between marginal standing facility rate and repo rate.
- m) Describe the burden of public debt to posterity.
- n) Describe the concept of full reserve system versus minimum reserve system.
- Q.2 Write short notes on **any four** of the following questions and illustrate with diagram wherever necessary. (Max. Words: 225-250) (4x5 =20)
- a) What are Non-Performing Assets (NPAs)? How the NPAs are regulated in India? Do you believe NPAs can be used as an economic model for business opportunity? Explain.
- b) Discuss Wagner's Law and Wiseman-Peacock hypothesis of growth of Public Expenditure in case of India.
- c) The current fiscal versus monetary policy is the combination of both competitive and complimentary in nature. Discuss.
- d) "Indian Federalism is described as a quasi-federal state or semi-federal state but in case of fiscal or financial aspect, states are autonomous and independent in nature comparing to other federal nations". Explain the statement.
- e) Discuss how the Keynes' reformulation of Q'TM theory is different from Keynes' QTM theory.
- f) Explain the principle of maximum social advantage.
- Q.3 Explain **any one** of the following question in detail. (Max. Words: 400-450) (08)
- a) Discuss global financial System, global financial regulatory system and rupee convertibility. Why are balance of payment and rupee convertibility important for understanding the global financial system?
- b) Explain money market and capital market. How are both the markets interlinked and dependent on one another?

\*\*\*\*