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St. Claret College

Autonomous, Bengaluru

ROLL NO:

DATE:



PG END SEMESTER EXAMINATION-JANUARY/FEBRUARY 2026

M.Com: FIRST SEMESTER

MCO1124: MONETARY SYSTEM

TIME: 3 hours.

MAX. MARKS: 70

This paper contains TWO printed pages and FOUR parts

Instructions:

1. Verify and ensure that the question paper is completely printed.
2. Any discrepancies or questions about the exam paper must be reported to the COE within 1 hour after the examination.
3. Students must check the course title and course code before answering the questions.

PART-A

Answer EIGHT questions out of TEN. Each answer carries TWO marks. [8x2 = 16]

1. What is money supply?
2. What do you mean by legal tender of money?
3. Define SDR.
4. Mention two features of gold standard.
5. What do you mean by floating exchange rate?
6. Write a short note on pegged float.
7. What is Samurai bond?
8. What is unilateral transfers account?
9. What is the Bretton Woods System?
10. Define monometalism.

PART-B

Answer any FOUR questions out of SIX. Each answer carries FIVE marks. [4x5=20]

11. What are the primary functions of money? Explain.
12. Explain the principles of note issue.
13. Bring out the objectives of International Monetary Fund.
14. Who are the participants of International Financial Markets?
15. What are the effects of devaluation on national income?
16. Distinguish between fixed and flexible exchange rate regimes.

PART-C

Answer any TWO questions out of THREE. Each answer carries TEN marks. [2X10=20]

17. Explain the circular flow of money in economy with diagram.
18. Give your arguments for and against a system of flexible exchange rates.
19. Discuss the history of International Financial System.

PART-D

Answer the following. (Compulsory Skill Based Question/ Case Study) [14X1=14]

20. Case Study: Monetary system and Inflation

Country Y, a developing economy with a bank-based monetary system, adopted an expansionary monetary policy to revive economic growth. The central bank reduced interest rates, lowered CRR and SLR, and conducted open market purchases, leading to excess liquidity in the banking system. Commercial banks expanded credit rapidly, especially to real estate and consumer sectors.

However, due to supply constraints and rising global commodity prices, increased money supply resulted in demand-pull inflation. Prices of essential goods rose, reducing purchasing power. Currency depreciation further increased import costs, intensifying inflationary pressures. At the same time, rapid credit growth led to rising household debt and financial instability.

The central bank is now considering tightening monetary policy through interest rate hikes and liquidity withdrawal. Policymakers are divided, as tighter policy may control inflation but could slow economic growth.

Questions

- a) Explain how expansionary monetary policy contributed to inflation in Country Y. (7 marks)
- b) Discuss the role of monetary policy tools in controlling inflation and maintaining economic stability. Suggest suitable measures. (7 marks)
