

Name: \_\_\_\_\_

Roll Number: \_\_\_\_\_

- a. Each Question is worth 1.5 points. Wrong answers are -0.5 (negative marking), no answers are 0 points.
- b. Please circle the right answer. Each question has **ONLY ONE** right answer.

Answer the following questions:

1. Which of these is correct?
  - a.  $R = RR + D$
  - b.  $R = (rr \times D) + ER$**
  - c.  $R = C + (rr \times D) + ER$
  - d. All of the above
  - e. None of the above
2. The money multiplier is given by
  - a.  $\frac{1+e}{r+e+c}$
  - b.  $\frac{1+c}{c+e+c}$
  - c.  $\frac{1+r}{r+e+c}$
  - d. None of the above**
3. An open market purchase leads to a greater quantity of \_\_\_\_\_ supplied.
  - a. Goods
  - b. Reserves**
  - c. Commercial Loans
  - d. None of the above.
4. \_\_\_\_\_ are intended to offset movements in other factors that affect reserves and the monetary base
  - a. Dynamic open market operations
  - b. Defensive open market operations**
  - c. Reactive open market operations
  - d. Aggressive open market operations
5. Secondary credit is given to banks that
  - a. Have performed very well and have a high credit rating at a lower interest rate.
  - b. That are smaller in size and cannot influence deposit creation much
  - c. That are not exactly banking intuitions, but still have accounts in RBI
  - d. That are in financial trouble and are experiencing severe liquidity problems**
6. In response to an open market operation (purchase):
  - a. Federal funds rate decreases unconditionally
  - b. The federal funds rate increases unconditionally
  - c. The federal funds rate will not increase**
  - d. The federal funds rate will not decrease.
  - e. Not enough information to answer this.
7. \_\_\_\_\_ is increasingly viewed as the most important goal for monetary policy.

- a. Controlling unemployment.
  - b. Controlling growth
  - c. Interest rate stability
  - d. **Price stability.**
8. Which of these factors causes the exchange rate to appreciate?
- a. **Fall in domestic price level**
  - b. Fall in productivity
  - c. Increase in import demand
  - d. The above all cause appreciation.
9. The Demand Curve for Domestic Assets assumes
- a.  $E_t$  and  $E_{t+1}^e$  move together as per the law of one price
  - b.  $E_t$  and  $E_{t+1}^e$  must be identical in the short run.
  - c.  $E_t$  and  $E_{t+1}^e$  are unrelated and both fluctuate.
  - d. **None of the above**
10. Law of one price: the prices of an identical good should be the same throughout the world if
- 
- a. Transport prices are substantial.
  - b. Goods are produced only in one of the two countries
  - c. **Trade barriers are low.**
  - d. All of the above.