



**THE PAPUA NEW GUINEA UNIVERSITY OF TECHNOLOGY**  
**Department of Business Studies**  
**ECONOMICS SECTION**

**COURSE CODE : 321**

**COURSE: MONETARY ECONOMICS**

**SECOND SEMESTER 2022**

**FINAL EXAM: 100 Marks [50%]**

**Instructions:**

**Time allowed: 3: hours**

- Write clearly Your NAME & ID No on the ANSWER sheet only.
- First FIVE minutes read carefully all questions, and Write proper ANSWER in ANSWER SHEET only. No answer will be evaluated if written elsewhere except answer sheet.
- There are SIX PARTS. Attempt all parts.
- Attempt all OBJECTIVE questions. ALL questions are compulsory.
- Avoid rewriting/double writings.
- Any Hand-notes/Papers /Mobile are strictly prohibited in the examination hall.

Group	Student's Name	ID No.:
A*		

**Total:.....**

## AE 321 MONETARY ECONOMICS

### QUESTIONS WITH ANSWERSHEET

#### **PART-1: Multiple Choice TEN Questions.**

**[Marks: 10]**

**ALL Questions are Compulsory. Tick any appropriate one which is the best suitable answer. Each question has equal value.**

**Q. 1.** Money requires for buying and selling for goods and services and for...

- A). Income Generation
- B). Payments for Factors
- C). Payments Wage /Salary to the Workers/Labors
- D). Interest on Private Savings
- E). Interest on Loans
- F). All the above

**Q. 2.** Money requires for

- A). buying & selling for goods & services
- B). Payments for factors
- C). payments to the workers
- D). remittances transfer
- E). all the above

**Q. 3.** Does money have monetary value?

- A). Money itself has no Value.
- B). The value of Money is given from outside the realm of supply and demand.
- C). The value of money is determined by demand & supply.
- D). Money is a Medium of Exchange only.
- E). All the above.

**Q. 4.** Wealth includes not only money but also other assets such as:

- A). bonds
- B). common stocks
- C). art
- D). land
- E). furniture
- F). cars
- G). houses
- H). all the above
- I). none the above

**Q. 5.** Which is wrong answer if ask for a commodity to function effectively as money, it has to meet several criteria:

- A). It must be easily standardized, making it simple to ascertain its value.
- B). It must be widely accepted.
- C). It must be divisible, so that is easy to make change.
- D). It must be easy to carry.
- E). It must deteriorate quickly.

**Q. 6.** Bitcoin/crypto currency is a (decentralized digital) currency that can be transferred on the peer-to-peer bitcoin/crypto network.

- A). decentralized digital
- B). centralized digital
- C). decentralized cash
- D). all the above
- E). none the above

**Q. 7.** Monetary Variables are:

- A). Exchange Rates
- B). Money Supply
- C). Lending Rates
- D). A, B & C only
- E). D only
- G). A & D only

**Q. 8.** Commercial Bank has the capacity to perform valuable services as:

- A). Lender of last resort
- B). Rediscounting bill of exchange
- C). Clearing housing services
- D). Cash reserve
- E). Counseling services
- F). All the above
- G). None the above

**Q. 9.** Methods of issuing currency based on:

- A). Minimum Reserve System
- B). Fixed Fiduciary System
- C). Proportional Reserve System
- D). Simple Deposit Method
- E). All the above
- F). None the above

- Q. 10.** Which is not correct the answer if ask the Central Bank's responsibilities are to ensure
- |  |   |
|--|---|
| A). the financial and economic stability of country. | B). formulates its economic and fiscal policies |
| C). advices the government on foreign trade          | D). development of financial and capital market |
| E). balance of trade, foreign aids                   | F). all the above                               |
| G). none the above                                   |   |

**PART-2: Fill in the Blanks**

**[Marks: 10]**

**All questions are compulsory. All questions have EQUAL value.**

- Q. 1.** Money is a (-----) from One Commodity to Another Commodity.
- Q. 2.** According to the classical theory, the (-----) is determined by the demand for & supply of money, just like the value of goods and services.
- Q. 3.** Money such as savings deposits can in effect function as money if they can be quickly and easily converted into (-----) or checking account deposits.
- Q. 4.** Economists make a distinction between money in the form of currency, demand deposits, and other items that are used to make purchases and wealth, the total collection of pieces of property that serve to (-----).
- Q. 5.** A (-----) is an instrument from you to your bank to transfer money from your account to someone else's account when she deposits the check/draft.
- Q. 6.** Monetary variables are not only important for the attainment of stable inflation but also for exercising influences in various ways on the behavior of the real economy, including the level of (-----) activity.
- Q.7.** Investment is very crucial in improving a country's productivity and growth and increasing its (-----) in the long run.
- Q.8.** Monetary variables such as lending rates, exchange rate, and money supply affect (-----) actions.
- Q.9.** Investment is positively related to both money supply and (-----) in the long run.
- Q. 10.** There is a long run (-----) between monetary policy variables money supply, exchange rate and real interest rate.

**PART-3: True & False. All questions are compulsory. All questions have EQUAL Value.**

**Write [T] or [F] in the answer sheet (given box).**

**[Marks: 9]**

- Q. 1.** The Monetary Economics studies the conduct and effects of trade policy, including its impact on foreign trade, and the consequences of policy actions by multinational companies. [ ]
- Q. 2.** Electronic payments technology can substitute not only for checks, but also for cash, in the form of electronic money (or e-money). [ ]
- Q. 3.** The first form of e-money was the Debit Card. [ ]
- Q. 4.** Debit cards, which look like credit cards, unable to purchase goods and services by electronically transferring funds indirectly from their bank accounts to a merchant's account. [ ]

**Q. 5.** Most banks and companies such as VISA and MASTER Card issue debit cards, and your ATM card typically can function as a Credit card. [ ]

**Q. 6.** Bill of Exchange is a interest-bearing written order used primarily in international trade that binds one party to pay a fixed sum of money to another party at a predetermined future date. [ ]

**Q. 7.** The difference between a promissory note and a bill of exchange is that this product is non-transferable and can bind one party to pay a third party that was not involved in its creation. [ ]

**Q. 8.** Clearing services is possible because the commercial bank possesses cash reserves of central bank. [ ]

**Q. 9.** Every bank is bound to deposit a certain percentage of all its deposits with the commercial bank. [ ]

**PART-4: Match with the Sentences from the BOX.**

**[Marks: 5]**

1. The development of mobile, computers and the internet now make it	A. transmit your payment electronically.
2. Now banks provide websites at which you just log on, make a few clicks, and thereby	B. cheap and easy to pay bills electronically.
3. A more advanced form of E-MONEY is	C. known as a Smart Card.
4. The more sophisticated stored-value card is	D. prepaid phone card.
5. The simplest form of stored-value-card is purchased for a preset dollar amount that the consumer pays up front, like a	E. the stored-value card.

**PART-5: SHORT QUESTIONS**

**[Total Marks: 30]**

**Give any TEN Answer from the Following Questions. Each question has equal value.**

**Q. 1.** What is difference between Money and Currency?

**Q. 2.** Why the value of money is determined from outside the realm of supply and demand under capitalist system?

**Q. 3.** What is Fiat Money?

**Q. 4.** What is Monetary Economics?

**Q. 5.** What are THREE Characteristics of Monetary Economics?

**Q. 6.** What is the difference between Monetary Economics and Financial Economics?

**Q. 7.** How monetary policy can help the economy adjust from one equilibrium state to another (for example, to control inflation and maintain economic growth)?

**Q. 8.** How different interest rates affect different actors in the economy?

**Q. 9.** What is an Exchange Rate Regime?

**Q. 10.** What do you mean by Nations' Debt problem?

**Q. 11.** The capitalist world has been facing "Sovereign Debt Crisis. Critically examine it.

**Q. 12.** Describe the evolution of the monetary systems (for example, Commodity Money, Fiat Money, Checks, Electronic System, E-money, BitCoin, Crypto Currency etc...)

**PART-6: ESSAY TYPE LONG QUESTIONS**

**[Marks: 36]**

**Give any THREE answers from the following questions. Each question has equal value.**

**Q. 1.** Critically analyze Milton-Friedman theory. How does Milton-Friedman Theory differ from Keynes' Theory of demand for Money?

**Q. 2.** Write about the Role, Objectives and Functions of the Central Bank of Papua New Guinea.

**Q. 3.** Write an essay on Monetary Policy in PNG.

**Q. 4.** What are the causes behind Global Economic Imbalances?

**Q. 5.** The current global financial crisis is not a mistake but systemic crisis. Explain it.

**Q. 6.** How the financial markets like the bond and stock markets work?

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**ID No:**

**ANSWER SHEET**

**PART-1: Multiple Choice:**

1	2	3	4	5	6	7	8	9	10

**PART-2: Fill in the Blanks:**

1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	

**PART-3: True & False:**

1	2	3	4	5	6	7	8	9	10

**PART-4: Matches the Sentences:**

1	2	3	4	5