KOD/NAMA KURSUS : EG3103: EKONOMI KEWANGAN

TARIKH : 02 APRIL 1996 (SELASA)

MASA : 2.30 - 5.00 PTG. (2 1/2 JAM)

TEMPAT : PUSAT KONVENSYEN (DP 1/7)

ARAHAN :

1. Kertas soalan ini mengandungi EMPAT (4) soalan di dalam EMPAT BELAS (14) halaman bercetak.

2. Anda dikehendaki menjawab SEMUA soalan di dalam kertas soalan .

NO. MATRIK : 

(dengan perkataan)

NO. KAD PENGENALAN : 

NAMA PENSYARAH :

JANGAN BUKA SOALAN INI SEHINGGA DIBERI ARAHAN

SULIT
QUESTION 1 [25 MARKS]

a) Explain, briefly, the conventional, Chicago School, Gurley-Show and Radcliffe Committee's approaches to the concept of money supply.

(12 Marks)
b) Explain, briefly, the money-multiplier approach to money stock determination. (8 Marks)
c) In an economy, banks maintain 20 percent of their deposits as reserves. The cash-deposit ratio of the people is 50 percent. Other things being equal, what will be the effect on potential money supply in the economy, if the Central Bank’s open market-purchase of securities worth RM300 million (assuming $t \to \infty$)

(5 Marks)
QUESTION 2 [25 MARKS]

a) Explain Friedman’s theory of demand for money.

(10 Marks)
b) What is liquidity trap? What is its significance in the Keynesian model of interest theory?

(7 Marks)
c) Write a critical note on the Phillips Curve Hypothesis.

(8 Marks)
QUESTION 3 [25 MARKS]

a) Give a normative classification of inflation rates. (4 Marks)
b) Explain, briefly, the structural theory of inflation.  

(7 Marks)
c) Following are the data for CPI and nominal interest during the period 1981 - 1987 in a country.

<table>
<thead>
<tr>
<th>Year</th>
<th>CPI (1980 = 100)</th>
<th>Bond Interest %</th>
<th>Effect of Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>110</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>1982</td>
<td>118</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>1983</td>
<td>125</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>1984</td>
<td>150</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>165</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>1986</td>
<td>185</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>1987</td>
<td>200</td>
<td>9</td>
<td></td>
</tr>
</tbody>
</table>

i) Trace the effect of inflation on the real interest rate and comment. (5 Marks)

ii) What remedy can you suggest to remove such ill-effect if inflation persists in future? (3 Marks)
d) Write a note on: Zero Inflation. (6 Marks)
QUESTION 4 [25 MARKS]

a) What is monetary policy? What are its main objectives?

(5 Marks)
b) What are the limitations of monetary policy?
c) What are the main propositions of monetarism?

(10 Marks)
d) What is meant by the autonomy of a central bank? (5 Marks)