70551

Reg. No.

I Semester M.Com. Degree Examination, March/April - 2025

COMMERCE

MONETARY SYSTEM

(CBCS Scheme)

Paper : 1.2

Time : 3 Hours **Maximum Marks : 70**

SECTION - A

Answer and Seven questions out of Ten. Each question carries Two Marks.(7×2=14)

1. a) What do you understand by Gresham's Law?

   b) State any two assumptions of Fishers Quantity theory of money.

   c) What is Bimetallism?

   d) What is meant by GDR's?

   e) What is Floating Exchange Rate?

   f) What is Crawling Pegs?

   g) Define Hedging.

   h) What are Index numbers?

   i) What do you mean by Purchasing Power Parity?

   j) What is Balance of Payment?

SECTION - B

Answer any Four questions out of Six. Each question carries Five marks. (4×5=20)

2. Critically evaluate of Irwing Fisher's Quantity Theory of money.
3. Bring out the reasons for failure of Bretton Woods system.
4. Explain the Types of Monetary Standard.
5. Explain the Circular Flow of Money in economy. Use a diagram to illustrate you answer.
6. Differentiate between Forward Market and Future Market.
7. Briefly, discuss the measures to correct Disequilibrium in the Balance of Payment.

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SECTION - C

Answer any Two questions out of Four. Each question carries Twelve marks.

(2×12=24)

8. Explain the various theories of value of money.

9. What do you mean by Gold Standard? Explain the different types of gold standards and also write about their advantages and disadvantages.

10. Critically examine the recent developments in Forex Markets..

11. Explain in detail the causes of disequilibrium in the Balance of Payment. What measures to be taken to rectify them.

SECTION - D

Answer the following question. (1×12=12)

The Nixon Shock:

12. On August 15,1971, President Richard Nixon announced a series of measures to address these challenges. They key components of the "Nixon Shock" included:

a) Suspension of the gold Standard:

- The U.S. Unilaterally ended the convertibility of the dollar into gold, effectively abandoning the Bretton Woods System.

b) 90-Day Wage and Price Freeze:

- To combat domestic inflation, Nixon implemented a temporary freeze on wages, prices, and rents.

c) 10% Import Surcharge:

- A tariff was imposed on imports to protect American industries and reduce the trade deficit.

Immediate Impacts.

- Global Currency Instability: Without the gold standard, currencies began to float freely, leading to volatility in global exchange rates.

- Inflationary Pressures: While initially stabilizing inflation, the shift to a fiat currency system led to long-term inflation concerns.
- Economic Growth: The U.S. Economy experienced short-term growth as exports became more competitive due to a devalued dollar.
- Trade Relations: The import surcharge strained relationships with U.S trading partners but was eventually removed in international negotiations.

Long-Term Effects:

a) End of Bretton Woods: The fixed exchange rate system gave way to floating exchange rates, shaping modern global finance.

b) Dominance of Fiat Currencies: Most countries adopted fiat money systems, which rely on trust in governments rather than physical commodities like gold.

c) Strengthened U.S. Dollar: Over time, the dollar solidified its position as the world's primary reserve currency.

d) Economic Volatility: Floating exchange rates introduced greater unpredictability in currency values, influencing trade and investment decisions.

Questions:

a) What were the main reasons behind the U.S abandoning the gold standard?

b) What were the three key measures announced in the Nixon Shock?

c) How did the Nixon Shock affect the global financial system?

d) Why did President Nixon impose a 10% import surcharge, and What were its effects?

e) What were the advantages of abandoning the gold standard?