International Islamic University Chittagong

Department of Economics & Banking

Semester End Examination; Autumn-2023

Program: BSS (Hours)

Course Code: BNKG-2403 Course Title: Central Banking

Time: 2.5 Hours Full Marks: 30

Answer the following questions. All parts of a question must be answered sequentially. Figures in the right margin indicate full marks.

QN		Description of Questions	Marks	CLOs & PLOs	Cognitive Learning
1.	(a)	Explain "Nonaccelerating Inflation Rate of Unemployment (NAIRU)" and "The Lucas Critique"	04		Understanding
	(b)	"The attempt to stimulate economic activity through **money creation** will be **ineffective** and only results in rising prices **(inflation)** in the long run"- Evaluate this statement from the perspective of quantity theory of money	06	CLO 2 ; PLO 5	Evaluating
2.	(a)	Explain the prospects of the risk management approach to monetary policy.	02		Understanding
	(b)	Evaluate the significance of monetary policy regimes.	02		Evaluating
	(c)	Assume Country A follows exchange rate targeting regime and peg their home currency, Peso with USD (USD1= Peso 2). Analyze the monetary policy to be taken by central bank in the following cases graphically: (i) When import increases and (ii) When capital inflow increases.	06	CLO 2 ; PLO 5	Analyzing
3.	(a)	Define following terms: (i)Philip Curve (ii)Currency Board (iii)Goodhart's Law	03		Understanding
	(b)	Evaluate the two pillars of inflation targeting regimes of monetary policy.	03	CLO 2 ; PLO 5	Evaluate
	(c)	Analyze the operational of independence of Bangladesh Bank based on Time Inconsistency Theory.	04		Analyze
4	(a)	Define the following terms: (i) Money Market; (ii) Foreign Exchange Market; (iii) Policy Interest Rate; and (iv) Standing Facilities.	04		Understanding
	(b)	Exemplify Outright Transaction conducted by the central bank.	03	CLO 3 ; PLO 5	Creating
	(c)	How does the central bank use reserve requirement to control money supply within economy?	03		Analyzing
5	(a)	Explain the Diamond-Dybvig model of financial stability.	05		Understanding
	(b)	Evaluate the information asymmetry problems that should be controlled by Bangladesh Bank to ensure financial stability.	05	CLO 3 ; PLO 5	Evaluating
		Or			
5	(c)	Explain the indicators that central banks might want to monitor with regard to the household and corporate sector to ensure financial stability.	05		Understanding
	(d)	Evaluate the possibility of bank run in Bangladesh.	05		Evaluating