Time: 3 hrs.   **Marks:100**

Note: **1.** All questions are compulsory with internal options.
              2. Figures to the right indicate full marks.
              3. Use of simple calculator is allowed.
              4. Draw neat diagrams wherever necessary.

Q1 (A) Explain the following concepts: (Any 5)   **(10)**
(1) Open economy
(2) Aggregate demand function
(3) Marginal efficiency of capital
(4) Liquidity trap
(5) IS curve
(6) Phillips curve
(7) Velocity of circulation of money
(8) Inflation

(B) Choose the right answer from the given options and rewrite the statement: **(10)**
(1) _____ is not a subject matter of macroeconomics.
          (a) National income   (c) Consumption function
          (b) Money   (d) Law of demand and supply.
(2) _____ is a leakage from circular flow of income.
          (a) Tax   (b) Consumption   (c) Investment   (d) None of the above.
(3) Say's law of market states, _____.
          (a) supply creates its own demand   (c) full employment is not seen
          (b) multiplier works   (d) law of MEC
(4) _____ measures the real growth of the economy.
          (a) GDP at current price   (b) GDP at constant price   (c) NDP   (d) NNP
(5) According to _____, wages are non-flexible downwards.
          (a) Friedman   (b) Say   (c) Marshal   (d) Keynes
(6) The point where AD and AS intersects is called _____
           (a) effective demand   (b) effective supply   (c) demand   (c) supply
(7) The theory of employment multiplier was developed by ____
          (a) R.F.Khan   (b) Keynes   (c) Samuelson   (d) Say
(8) The IS curve has ___slope
         (a)positive   (b) negative   (c) zero   (d) none of the above
(9) LM curve indicates _____.
          (a) goods market equilibrium   (c) money market equilibrium
          (b) demand and supply   (d) supply creates its own demand
(10) Cost push inflation is also known as _____ inflation.
          (a) demand pull   (b) hyper   (c) usage push   (d) galloping

Q2   Answer any two of the following: **(20)**
(A) Explain the scope of macroeconomics.
(B) Define trade cycle and explain its phases.
(C) State and explain the relationship between economic welfare and national income.

Q3   Answer any two of the following: **(20)**
(A) Diagrammatically explain the working of multiplier.
(B) Explain the subjective and objective factors affecting consumption function.
(C) Explain the liquidity preference theory of demand for money.

Q4   Answer any two of the following: **(20)**
(A) Define stagflation. What are its causes and effects?
(B) Explain determination of goods and money market equilibrium with the help of IS and
     LM curve.
(C) Explain the short run Phillips curve.

Q5   Answer any two of the following: **(20)**
(A) Draw and explain cost push inflation. What are its causes?
(B) What are the factors determining the velocity of circulation of money?
(C) What are the measures to control inflation?

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