



Duration: 3 hours

Total Marks: 100

1. All questions are compulsory.
2. All questions carry equal marks.
3. Draw neat diagrams wherever necessary.
4. Use of simple calculator is allowed.

Q1A) Explain the following concepts. (Any Five) (10)

1. Gross National Product
2. Development Economics
3. Aggregate supply function
4. Marginal propensity to consume
5. Supply side Economics
6. Phillip's curve
7. Cost push inflation
8. Liquidity trap

Q1B) Choose the right answer from the given options and rewrite the statements. (10)

1. Macro Economics is not concerned with -----
a) National income accounting b) International trade c) Inflation d) Equilibrium of an Individual firm
2. Full employment is a normal situation according to -----
a) Multiplier theory b) IS-LM Model c) Say's Law of Markets d) none of the above
3. When income increases consumption will increase in a ----- proportion.
a) Greater b) Lesser c) Constant d) None of the above
4. Higher the value of -----, higher will be the value of multiplier.
a) Average propensity to consume b) Marginal propensity to consume
c) Average propensity to save d) Marginal propensity to save
5. Laffer Curve explains the relationship between -----.
a) Tax rate and tax revenue b) Inflation and wage rate c) Interest rate and investment
d) Income and saving
6. Stagflation arises due to -----.
a) Rise in the price of crude oil b) Rise in cost of production
c) Provision of more subsidies d) all of the above
7. Money supply will increase when there is -----.
a) Increase in CRR and SLR b) Decrease in CRR and SLR c) A surplus budget
d) Rise in public debt.
8. Demand for transactionary motive and precautionary motive mainly depends upon -----
a) Level of income b) Rate of interest c) Investment d) Tax rate

9. Cash Balance Approach is based on ----- function/functions of money.
a) Medium of exchange b) Measure of value c) Medium of exchange and store of value d) standard of deferred payments.
10. Level of investment in an economy depends upon -----
a) Price level b) Rate of inflation c) MEC and Rate of interest d) Fiscal deficit.

Q2) Answer any two of the following: (20)

- a) Define national income and explain circular flow of income in a two sector model with saving.
b) Explain the features and phases of a trade cycle with a suitable diagram.
c) "Supply creates its own demand" Discuss in detail.

Q3) Answer any two of the following: (20)

- a) Explain the principle of multiplier with an example and a diagram.
b) Explain how rate of interest is determined by demand for and supply of money.
c) What is meant by marginal efficiency of capital? What factors determine it?

Q4) Answer any two of the following: (20)

- a) Explain general equilibrium with IS-LM model
b) Define stagflation. What are its causes and effects?
c) How is supply side economics different from Keynesian economics? Explain.

Q5) Answer any two of the following: (20)

- a) What is meant by velocity of circulation of money? What factors determine it?
b) Critically examine the cash transaction approach to Quantity theory of money.
c) Examine the monetary and fiscal measures to control inflation.

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