

[Time: 3 Hours]

[Marks:100]

Please check whether you have got the right question paper.

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

Q. 1 A) Explain the following concepts. [Any five]

- 1) Circular flow of income
- 2) Open economy
- 3) Aggregate demand function
- 4) MEC
- 5) Stagflation
- 6) Laffer curve
- 7) Liquidity trap
- 8) Cost push inflation

(10)

Q. 1 B) Choose the right answer from the given options and rewrite the sentences.

- i) Keynesian theory is not based on which of following assumptions?
a) Supply creates its own demand. b) markets can fail
c) Govt intervention can reduce the impact of recession d) aggregate demand determines national income.
- ii) Which one of following type of economy deals with the rest of world?
a) Closed economy b) open economy
c) developed economy d) none of these
- iii) National income is a _____ concept.
a) Flow concept b) stock concept
c) both d) none of these
- iv) According to Keynes, which of following is constant in short run?
a) aggregate demand b) aggregate supply
c) effective demand d) both a & b
- v) MPC is always _____.
a) positive but less than one b) positive but greater than one
c) equal to one d) equal to infinity
- vi) MEC curve _____.
a) Slopes upwards b) slopes downwards
c) remain constant d) none of these
- vii) Which of the following is the slope of LM curve?
a) Negative b) positive
c) vertical d) both a & b
- viii) Long run Phillip's curve is _____ line.
a) Upward b) downward
c) vertical d) horizontal
- ix) High powered money includes _____
a) Money with public and central bank b) currency with public, cash reserves and other deposits with central bank
c) Deposits with commercial banks d) None of these

(10)

- x) _____ first developed Cambridge version of quantity theory of money.
 - a) Adam Smith
 - b) J.S.Mill
 - d) Alfred Marshall
 - d) David Ricardo

Q. 2 Attempt any Two (20)

- a) Analyse the circular flow of income and expenditure in an open economy
- b) State the relation between economic welfare and national income?
- c) Discuss different phases of trade cycle.

Q. 3 Attempt any Two (20)

- a) 'The logical starting point of Keynes' theory of employment is the principle of effective demand' – Discuss.
- b) Diagrammatically explain the working of multiplier
- c) Investment is determined by MEC and rate of interest-explain.

Q. 4 Attempt any Two (20)

- a) Derive IS curve and bring out its properties.
- b) Discuss the relationship between unemployment and inflation with the help of short run Phillips curve
- c) Explain meaning and effect of stagflation.

Q. 5 Attempt any Two (20)

- a) Explain the Keynesian concept of demand for money.
- b) Draw and explain the causes of demand pull inflation.
- c) What are the measures to curb inflation?
