

Time: 3 hrs.

Marks:100

- Note:
1. All questions are compulsory with internal options.
 2. Figures to the right indicate full marks.
 3. Workings should form a part of your answer paper.

Q.1 (A) Explain the following concepts: (Any Five) (10)

- a) Prosperity
- b) Gross domestic product
- c) Aggregate demand functions
- d) Marginal efficiency of capital
- e) Supply side economics
- f) Phillips curve
- g) Demand pull inflation
- h) Cost push inflation

Q.1 (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 accounting (b) Laws of demand and supply
 (c) Business cycle (d) General price level
2. Which of the following schools of thought in macroeconomics focuses on the role of money supply and central bank?
 (a) Development economics (b) Classical school
 (c) Monetarism (d) Keynesian school
3. The phenomenon of stagflation can be explained with which of the following macroeconomic theories?
 (a) Keynesian demand pull theory (b) Supply-side cost push theory
 (c) Classical theory (d) Monetarist theory
4. GNI in an open economy is equal to
 (a) $GDP + (X - M)$ (b) $GDP + (X - M) + R - P$
 (c) $GDP + (R - P)$ (d) $GDP + (X - M) + R + P$
5. According to which law the supply creates its own demand?
 (a) Keynes' (b) Say's
 (c) Pigou's (d) Samuelson's
6. According to Keynes, as income increases both MPC and APC
 (a) Rise (b) Fall
 (c) Remain constant (d) Is zero
7. In which of the following case LM curve is horizontal?
 (a) Classical case (b) Crowding out case
 (c) Liquidity trap (d) Aggregate demand
8. Which of the following represents Fisher's equation?
 (a) $MV = PT$ (b) $M = kPY$
 (c) $V = M / P$ (d) $P = M / kT$
9. Which of the following determines money supply?
 (a) High-powered money (b) Aggregate demand supply
 (c) Effective demand (d) Circulation of money
10. Which of the following is not a direct cause of demand pull inflation?
 (a) Deficit financing (b) Credit creation
 (c) Scarcity of raw materials (d) Black money

- Q.2** **Answer any two of the following:** **(20)**
(A): Explain the circular flow of income and expenditure in a two sector and three sector closed economy.
(B): State and explain the relationship between economic welfare and national income.
(C): Define trade cycle and explain the phases of trade cycle.
- Q.3** **Answer any two of the following:** **(20)**
(A): What are the subjective and objective factors affecting consumption functions?
(B): Define multiplier. What are the leakages in the working of multiplier?
(C): The starting point of Keynes theory of employment is the principle of effective demand. Explain.
- Q.4** **Answer any two of the following:** **(20)**
(A): Explain the simultaneous determination of goods and money market equilibrium with the help of IS and LM curves.
(B): Explain supply side economics. What are its limitations?
(C): Explain the relationship between unemployment and inflation with the help of short run Phillips Curve.
- Q.5** **Answer any two of the following** **(20)**
(A): Explain the velocity of circulation of money.
(B): Explain the Keynesian approach to demand for money.
(C): What are measures to correct inflation?

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