

**Note:**

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) (10)**

- |                                     |                                    |
|-------------------------------------|------------------------------------|
| i. Gross National Product           | ii. Trough of a Business Cycle     |
| iii. Precautionary demand for money | iv. Marginal Propensity to consume |
| v. LM Curve                         | vi. Supply Side Economics          |
| vii. Income Velocity of Money       | viii. Cost – Push Inflation        |

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

- i. \_\_\_\_\_ branch of macroeconomics specifically focuses on the problems of developing economies.  
a. Monetary Economics                      b. Development Economics  
c. Public Finance                              d. Trade Cycle Theory
- ii. \_\_\_\_\_ measures the real growth of the economy.  
a. GDP at constant prices                      b. GDP at current prices  
c. NDP at current prices                        d. GNI
- iii. \_\_\_\_\_ said that wages are non- flexible downwards.  
a. Say    b. Pigou  
c. Classical economists                        d. Keynes
- iv. Investment will be in equilibrium when \_\_\_\_\_ becomes equal to the given current rate of interest.  
a. Savings                                        b. Profit  
c. Marginal Efficiency of Capital              d. none of these
- v. If a part of an increase in income is spent on imports the value of multiplier \_\_\_\_\_.  
a. will be high                                    b. will be low  
c. will not change                                d. will increase
- vi. \_\_\_\_\_ will cause the LM Curve to shift to the right.  
a. An increase in money supply              b. An increase in rate of interest  
c. A decrease in money supply                d. A decrease in government expenditure

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- vii. Laffer curve brings out the relationship between \_\_\_\_\_.
- a. price level and employment
  - b. price level and investment
  - c. price level and tax revenue
  - d. tax revenue and marginal tax rate
- viii. Traditional measure of money supply includes \_\_\_\_\_.
- a. currency and time deposits
  - b. demand deposits and time deposits
  - c. currency and demand deposits
  - d. none of these
- ix. Demand for speculative motive is referred to as demand for \_\_\_\_\_.
- a. active cash balance
  - b. idle cash balance
  - c. both active and idle cash balance
  - d. none of these
- x. \_\_\_\_\_ 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. Describe the circular flow of aggregate income and expenditure in a four sector economy with the help of a flow chart.
- b. Explain the concept and phases of a trade cycle with the help of a diagram.
- c. Discuss the features and implications of Say's Law of Market.

**Q.3. Answer any TWO of the following (20)**

- a. 'The logical starting point of Keynes' theory of employment is the principle of effective demand'. Discuss.
- b. Explain Keynes' Consumption Function with a diagram and bring out the various objective factors affecting the consumption function.
- c. Explain the concept and working of Investment Multiplier with a diagram or illustration.

**Q.4. Answer any TWO of the following (20)**

- a. Derive and explain IS Curve with a diagram. Explain its slope and shifts with diagrams.
- b. Explain the meaning, causes and consequences of stagflation.
- c. Write a note on short – run and long – run Phillips Curve.

**Q.5. Answer any TWO of the following (20)**

- a. Explain the concept of money supply and its determinants.
- b. Explain Fisher's equation of exchange.
- c. Describe the effects of inflation on economic activities and different sections of people.