

ECO

[Time: 3 Hours]

[Total Marks: 100]

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)

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|--------------------------------|------------------------------------|
| i. Gross National Product      | ii. Development Economics          |
| iii. Aggregate Supply Function | iv. Marginal Propensity to Consume |
| v. IS Curve                    | vi. Laffer Curve                   |
| vii Money Supply               | viii Cost - Push inflation         |

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

i. \_\_\_\_\_ Schools of thought in macroeconomics focus on the role of money supply and central bank.

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|---------------------|--------------------------|
| a. Classical School | b. Monetarism            |
| c. Keynesian School | d. Development Economics |

ii. \_\_\_\_\_ is the sum of all income actually received by the people in the country.

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|--------------------|--------------------|
| a. GDP             | b. GNI             |
| c. Personal Income | d. National Income |

iii. When economic variable move together in a predictable way, it is called \_\_\_\_\_.

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|--------------------|----------------------|
| a. comovement      | b. cumulative        |
| c. upward movement | d. downward movement |

iv. When income equals consumption, savings will be \_\_\_\_\_.

- |             |             |
|-------------|-------------|
| a. positive | b. negative |
| c. infinity | d. zero     |

v. Investment will be in equilibrium when \_\_\_\_\_ becomes equal to the given current rate of interest.

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|-----------|-----------------------------------|
| a. profit | b. Marginal efficiency of capital |
| c. saving | d. rent                           |

vi. The LM curve indicates \_\_\_\_\_ equilibrium.

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|------------------|-------------------|
| a. Labour Market | b. Goods Market   |
| c. Money Market  | d. Foreign Market |

- vii. Supply side economics aims at increasing national income by \_\_\_\_\_.
- a. raising taxes
  - b. increasing government expenditure
  - c. lowering taxes
  - d. increasing social security spending

- viii. According to the classical theory, people demand money due to its function as a \_\_\_\_\_.
- a. store of value
  - b. medium of exchange
  - c. measure of value
  - d. standard of deferred payment

- ix. \_\_\_\_\_ represents Fisher's Equation of Exchange.
- a.  $P = M/kT$
  - b.  $M = kPY$
  - c.  $MV = PT$
  - d.  $V = M/P$

- x. Inflation is beneficial to \_\_\_\_\_.
- a. wage and salary earners
  - b. pensioners
  - c. creditors
  - d. debtors

**Q.2. Answer any TWO of the following (20)**

- a. Explain with the help of flow chart, the circular flow of aggregate income and expenditure in a four sector economy.
- b. Explain the meaning and phases of a trade cycle with the help of a diagram.
- c. "Supply creates its own demand." Discuss in detail with assumptions and diagrams.

**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" – Explain.
- b. What is Consumption Function ? Explain the various subjective and objective factors affecting the consumption function.
- c. Explain the concept, working and leakages of Investment Multiplier.

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

- a. Derive and explain LM Curve with a diagram. Explain its slope and shifts with diagrams.
- b. Explain the short – run and long – run Phillips Curve.
- c. Explain the concept of stagflation with a diagram. Discuss the causes and effects of stagflation.

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

- a. Explain the concept of velocity of circulation of money and factors determining it.
- b. Explain Keynes' Liquidity Preference Theory of interest with diagrams.
- c. Explain with suitable diagram Demand – Pull Inflation and causes for it.