

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. Recession |
| iii. Autonomous Investment | iv. Marginal Propensity to Consume |
| v. IS Curve | vi. Laffer Curve |
| vii Money Supply | viii Demand- Pull inflation |

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

- i. _____ is not a subject matter of Macroeconomics.

a. General price level	b. Business cycle
c. Laws of demand and supply	d. International trade

- ii. _____ economy deals with the rest of the world.

a. Closed	b. Open
c. Developed	d. Developing

- iii. Price deflator helps us to work out National Income at _____.

a. constant price	b. current price
c. future price	d. none of these

- iv. According to Keynes, as income increases both MPC and APC _____.

a. rise	b. remain constant
c. fall	d. is zero

- v. _____ from an investment in a new capital asset is called Marginal Efficiency of Capital.

a. Expected rate of profit	b. Actual profit
c. Expected rate of interest	d. Actual loss

- vi. The IS curve will shift to the left due to _____.

a. increase in government expenditure
b. decrease in government expenditure
c. increase in autonomous spending
d. none of these

- vii. Supply side economics aims at increasing income by _____.

a. reducing taxes	b. increasing government's expenditure
c. reducing prices.	d. none of these

- viii. _____ determines money supply.
- High powered money
 - Money multiplier
 - Community's choice
 - All of these
- ix. Fisher's Equation of Exchange given in quantity theory of money is _____.
- $P = M/kT$
 - $M = kPY$
 - $MV = PT$
 - none of these
- x. Inflation is beneficial to _____.
- wage and salary earners
 - pensioners
 - business people
 - creditors
- Q.2. Answer any TWO of the following (20)
- Explain with the help of flow chart, the circular flow of aggregate income and expenditure in a three sector economy.
 - Explain the meaning and features of a trade cycle with the help of a diagram.
 - State and explain the features and criticisms of Say's Law of Market.
- Q.3. Answer any TWO of the following (20)
- What is effective demand? Show that it is determined by Aggregate Demand and Aggregate Supply curves.
 - Explain Keynes' Consumption Function with a diagram and bring out the various subjective factors affecting the consumption function.
 - Explain the concept, working and leakages of Investment Multiplier.
- Q.4. Answer any TWO of the following (20)
- Derive and explain LM Curve with a diagram. Explain its slope and shifts with diagrams.
 - Explain the short – run and long – run Phillips Curve.
 - Explain the concept, causes and effects of stagflation.
- Q.5. Answer any TWO of the following (20)
- Explain the concept of velocity of circulation of money and factors determining it.
 - Explain Liquidity Preference Theory of interest.
 - Explain with suitable diagram Cost – Push Inflation and causes for it.