

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 Domestic Product      | ii. Depression                     |
| iii. Aggregate Supply Function | iv. Marginal Efficiency of Capital |
| v. LM Curve                    | vi. Supply Side Economics          |
| vii Money supply               | viii Demand – Pull Inflation       |

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

- i. \_\_\_\_\_ branch of macroeconomics specifically focuses on the problem of developing economies.  
a. Monetary Economics                      b. Development Economics  
c. Public Finance                              d. Trade Cycle Theory
  
- ii. The concept of Green Gross Domestic Product finds its origin in the works of \_\_\_\_\_.  
a. James Tobin and William Nordhaus    b. J.M. Keynes and Wright  
c. J. S. Mill and David Hume                d. J. B. Say and J.S. Mill
  
- iii. \_\_\_\_\_ does not constitute a leakage in the circular flow.  
a. Savings                                        b. Taxes  
c. Imports                                         d. Investments
  
- iv. After reaching full employment, the aggregate supply curve becomes \_\_\_\_\_.  
a. Upward Sloping                              b. Downward Sloping  
c. Vertical Straight Line                        d. Horizontal Straight Line
  
- v. \_\_\_\_\_ investment does not change with change in income.  
a. Induced                                        b. Autonomous  
c. Gross    d. Financial
  
- vi. On \_\_\_\_\_ there is excess supply in the goods market.  
a. right side of IS curve                        b. left side of IS curve  
c. right side of LM curve                        d. left side of LM curve
  
- vii. Supply side Economics is based on \_\_\_\_\_ schools of thought.  
a. Keynesian                                      b. Monetarist  
c. Classical                                        d. Marxian

- viii. The inverse of price level measures \_\_\_\_\_.
- |               |                   |
|---------------|-------------------|
| a. multiplier | b. deflation      |
| c. inflation  | d. value of money |
- ix. \_\_\_\_\_ groups will benefit during Demand – Pull inflation.
- |                    |                         |
|--------------------|-------------------------|
| a. Pension Earners | b. Creditors            |
| c. Profit Earners  | d. Fixed Income Earners |
- x. \_\_\_\_\_ is a selective credit control measure of the Central Bank.
- |                       |              |
|-----------------------|--------------|
| a. Margin Requirement | b. SLR       |
| c. CRR                | d. Repo Rate |

- Q.2. Answer any TWO of the following (20)
- Explain the circular flow of aggregate income and expenditure in a two sector economy with savings with the help of a flow chart.
  - Define Trade cycle and explain the features of a trade cycle with the help of a diagram.
  - State and Explain Say's Law of Market. On what grounds did Keynes refute it?

- Q.3. Answer any TWO of the following (20)
- What is effective demand? Explain how it is determined by aggregate demand and aggregate supply curves.
  - Explain Keynes' Consumption Function with a diagram and assumptions. Bring out the relationship between APC and MPC.
  - Explain the concept and working of Investment Multiplier with a diagram. State the formulas and calculate i) Investment multiplier ii) Final change in income, given  $MPC = 4/5$  and increase in investment = Rs.25,000.

- Q.4. Answer any TWO of the following (20)
- Derive and explain IS Curve with a diagram. Explain its slope and shifts with diagrams.
  - What is stagflation? Explain its causes and consequences with diagrams.
  - Write a note on short – run and long – run Phillips Curve.

- Q.5. Answer any TWO of the following (20)
- Explain the concept of velocity of circulation of money and factors determining it.
  - Explain Keynesian approach to demand for money.
  - Explain with the help of suitable diagram cost-push inflation and discuss its causes.