Time : 2 Hours   Total Marks: 60

N.B.   (1) All questions are compulsory.
       (2) Figures to the right indicate full marks.
       (3) Draw neat diagrams wherever necessary.

1. (a) Define Aggregate Demand Function and explain the determinants of Aggregate
        Demand Function.   08
    (b) Explain the concept of inflationary gap.   07

                                              OR

    (c) Discuss how intersection between ADF and ASF determines the effective
         demand with suitable diagram.   08
    (d) Discuss the trade-off between inflation and unemployment in the short run.   07

2. (a) Explain how the IS curve is derived.   08
    (b) Explain the transmission mechanism and crowding out effect.   07

                                              OR

    (c) Explain the derivation of LM curve with suitable diagram.   08
    (d) Bring out the effects of monetary policy on income and interest rate in IS-LM
         model.   07

3. (a) Explain the concept of disequilibrium in balance of payments.   08
    (b) Discuss expenditure switching policies to reduce deficit in the balance of
        payments.   07

                                              OR

    (c) Discuss Mundell - Fleming model.   08
    (d) Write a note on J- curve effect.   07

Q.4 A) Choose the right option from the following.   07
1. .... methods are used for measuring national income
    a) Two   b) Three
    c) Four   d) Five

2. Under _____ method of measuring national income, consumption is taken into
    consideration
    a) Income   b) Dividend
    c) Expenditure   d) Interest
3. .... is the total value of the goods and services produced by the nationals during
    given period.
    a) GDP   b) GNI
    c) NDP   d) GII

4. GDP in open economy consists of.................... .
    a) C+I+G+(X-M)   b) C+I+G
    c) C+I+G+(X-M) + (R-P)   d) C+I+G+(X-M) + (R+P)

5. GDP deflator tells us the ....
    a) Nominal progress   b) Real Progress
    c) Rate of deflation in developed country   d) Rate of deflation in developing country

6. Human Development takes into account.............. .
    a) Per capita income   b) Life expectation
    c) Level of literacy   d) All of the above

7. Purchasing Power Parity theory is related with................. .
    a) Interest rate   b) Bank rate
    c) Wage rate   d) Exchange rate

Q.4 B) Give the precise meaning of the following.   08
    a) National income
    b) PPP exchange rate
    c) Net Domestic Product
    d) Value added method

OR

4. Write short note on any three of the following   15

    a) GDP deflator.
    b) Causes of disequilibrium in balance of payments
    c) Long run Phillips curve
    d) BOP adjustment and fiscal policy
    e) Internal and external balance

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