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2 SEM TDC ECO M 1

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(May)

ECONOMICS

(Major)

Course : 201

(Macroeconomics)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

1. Choose the correct answer :

1×8=8

(a) NNP at factor cost is

- (i) equal to national income
- (ii) more than national income
- (iii) less than national income
- (iv) None of the above

(Turn Over)

(b) Which of the following is not a classical assumption?

- (i) Perfect competition
- (ii) Flexibility of prices and wages
- (iii) Full employment only as a consequence of inflation
- (iv) Deficiency in demand is impossible

(c) Find out the incorrect statement :

- (i) Keynes did not accept the classical view that economic system was self-adjusting.
- (ii) Keynes did not accept Pigou's plea for wage flexibility as a means of promoting employment.
- (iii) Keynes believed that long-run equilibrium was more important than short-run equilibrium.
- (iv) Keynes held that the level of saving depended upon the level of income.

(d) Which of the following statements does not support Keynesian theory of employment?

- (i) Employment depends upon effective demand
- (ii) Effective demand depends upon aggregate demand and aggregate supply functions
- (iii) Aggregate supply function is assumed to be given in the short-run
- (iv) Aggregate supply function exceeding aggregate demand function expands employment

(e) $\left(1 - \frac{C}{Y}\right)$ means

- (i) APC
- (ii) APS
- (iii) MPC
- (iv) MPS

(f) Which of the following is not a real investment?

- (i) New capital stock
- (ii) Construction work
- (iii) Share capital of a company
- (iv) Inventories

(g) If MEC is 10 percent, the present value of Rs 100 after 2 years will be about

(i) Rs 90.91

(ii) Rs 82.65

(iii) Rs 120

(iv) Rs 250

(h) Which of the following will be helpful in removing disequilibrium in balance of payments?

(i) Increase in exchange rate

(ii) Restriction on export

(iii) Inflation

(iv) Devaluation

2. Write short notes on any four of the following **(within 150 words each)** : $4 \times 4 = 16$

(a) Limitations of the GDP estimate

(b) Investment multiplier

(c) Aggregate demand and aggregate supply

(d) Balance of trade

(e) Classical view on interest rate determination

(f) Personal income and disposable personal income

Answer the following questions **(within 500 words each)** :

3. (a) What are the different methods used for measurement of national income? Explain the expenditure method of calculating national income. $2+10=12$

Or

(b) What is meant by circular flow of national income? Explain the process of circular flow of national income in a two-sector economy. $2+10=12$

4. (a) Explain the classical theory of employment. On what ground has it been challenged by Keynes? $8+3=11$

Or

(b) Analyse Keynes' departures from classical theory of employment. Describe the practical importance of Keynesian theory of employment. $8+3=11$

5. (a) Illustrate the concept of consumption function diagrammatically. Why the consumption function curve tends to flatter to the right? $8+3=11$

Or

(b) What is marginal efficiency of capital? Explain the factors influencing marginal efficiency of capital. $6+5=11$

6. (a) Explain the Keynesian theory of interest diagrammatically. Mention some of the criticisms levelled against this theory. 8+3=11

Or

- (b) Derive the IS and LM functions. How do they determine general equilibrium? 5+6=11

7. (a) Distinguish between open economy and closed economy. Examine the openness of Indian economy. 3+8=11

Or

- (b) What is meant by disequilibrium in balance of payments? Discuss the causes of disequilibrium in the balance of payments. 3+8=11
