

2 SEM TDC ECO M 1

2014

(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. Answer/Choose the correct one : 1×8=8

(a) National Income is measured as

(i) $NI = GNP - \text{Indirect taxes} + \text{Subsidies}$

(ii) $NI = NNP - \text{Indirect taxes} + \text{Subsidies}$

(iii) $NI = NNP - \text{Indirect taxes} - \text{Subsidies}$

(iv) $NI = NNP - \text{Subsidies} + \text{Direct taxes}$
(Turn Over)

(b) Which of the following statements accurately describes disposable income?

- (i) The income which a person saves after all expenditures
- (ii) The income which a person spends
- (iii) The difference between personal income and personal direct taxes
- (iv) The total income a family earns

(c) Keynesian theory of income determination is

- (i) short period analysis
- (ii) long-term analysis
- (iii) short-run as well as long-run analysis
- (iv) None of the above

(d) Marginal propensity to consume can be expressed symbolically as

- (i) $MPC = \frac{C}{Y}$
- (ii) $MPC = \frac{\Delta C}{\Delta Y}$
- (iii) $MPC = \frac{C}{Y} - \frac{\Delta C}{\Delta Y}$
- (iv) None of the above

(Continued)

(e) Permanent income hypothesis was given by

- (i) Adam Smith
- (ii) Milton Friedman
- (iii) J. M. Keynes
- (iv) Alfred Marshall

(f) State the formula used to determine the size of the investment multiplier.

(g) IS-LM analysis is related to the

- (i) classical economists
- (ii) new classical economics
- (iii) Keynes
- (iv) Hicks

(h) Balance of payments (BoP) is an accounting record of

- (i) all monetary transactions between a country and rest of the world
- (ii) all transactions within the country
- (iii) all informal transactions between a country and rest of the world
- (iv) all external transactions of a country

(Turn Over)

(4)

2. Write short notes on any *four* of the following
(**within 150 words** each) : $4 \times 4 = 16$
- (a) Circular flow of National Income
 - (b) Life cycle hypothesis
 - (c) Aggregate demand function
 - (d) Marginal efficiency of capital
 - (e) Economic openness

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

3. (a) How is National Income calculated?
Explain the difficulties in its correct measurement. $4 + 8 = 12$

Or

- (b) Distinguish between the following : $4 \times 3 = 12$

- (i) Gross value addition and Net value addition
- (ii) NNP at market price and NNP at factor price
- (iii) Nominal and Real GDP

4. (a) Explain Say's law of markets. Evaluate its relevance in a monetary economy. $6 + 5 = 11$

(5)

Or

- (b) Explain the determinants of aggregate demand and aggregate supply. How do they determine equilibrium income? $7 + 4 = 11$

5. (a) (i) Illustrate the concept of investment function. 5
(ii) Define marginal efficiency of capital. Discuss the factors that determine the marginal efficiency of capital. $2 + 4 = 6$

Or

- (b) Explain the working of investment multiplier. What are the leakages of investment multiplier? $8 + 3 = 11$

6. (a) Compare the liquidity preference theory with classical theory and neoclassical theory of interest. 11

Or

- (b) Examine the comparative effectiveness of monetary and fiscal policies in IS-LM framework.

7. (a) Define closed economy. Make a comparative analysis on the advantages and disadvantages of closed economy. $3 + 8 = 11$

(Turn Over)

(Continued)

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Or

- (b) (i) Distinguish between the current and capital account of the balance of payments. 4
- (ii) Explain the measures adapted to remove the deficits in the balance of payments. 7
