2 SEM TDC ECO M 1

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(May)

ECONOMICS

(Major)

Course : 201

(Macroeconomics)

Full Marks : 80
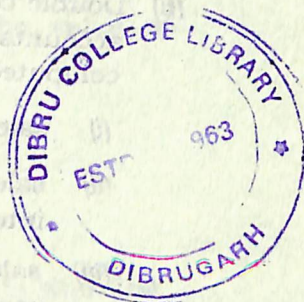
Pass Marks : 32/24

Time : 3 hours

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

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

   (a) To compute GDP, the quantity of each final good or service produced must be weighted by

   (i) its advertise price

   (ii) its cost of production

   (iii) its share of total output

   (iv) its market price

(2)

(b) Double counting in the national income accounts will not occur if GDP is computed by summing all

   (i) sale of final output

   (ii) sale of final output and intermediate goods

   (iii) sale of final output and advertising cost

   (iv) All of the above

(c) Define the concept of effective demand.

(d) Marginal propensity to consume can be always between

   (i) 1 and 10

   (ii) 10 and 20

   (iii) 20 and 30

   (iv) None of the above

(e) Relative income hypothesis was given by

   (i) Adam Smith

   (ii) Ricardo

   (iii) Milton Friedman

   (iv) James Duesenberry

(Continued)

(3)

(f) If marginal propensity to save (MPS) is equal to 0·25, what is the value of investment multiplier?

   (i) 4

   (ii) 4·01

   (iii) 4·04

   (iv) None of the above

(g) Write the name of economists who first developed the concept of IS and LM curve analysis.

(h) What do you mean by balance of payments (BoP)?

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

   (a) Nominal and real GDP

   (b) Life cycle hypothesis

   (c) Marginal efficiency of capital

   (d) Investment multiplier

   (e) Basic accounting rule

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

3. (a) Explain the different methods of calculating national income. Briefly explain the relationship between GDP and welfare.   8+4=12

(Turn Over)

Or

(b) Discuss the circular flow of national income model in a two-sector economy. Also discuss its importance and limitations. 7+5=12

4. (a) What are aggregate demand and aggregate supply function? Explain the relevance of classical theory of employment in a full-employment situation in an economy. 4+7=11

Or

(b) Compare the process of determination of aggregate price level in classical approach and Keynesian approach. What are the advantages of Keynesian approach over classical approach in aggregate price determination? 8+3=11

5. (a) What are absolute income and relative income? Explain the relative income hypothesis stating three limitations of the hypothesis. 2+6+3=11

Or

(b) What are induced investment and autonomous investment? Explain the working of the static investment multiplier. What are the leakages of investment multiplier? 2+6+3=11

6. (a) What are produce market and money market? Explain the determination of equilibrium income and interest rate with the help of IS and LM curves. 4+7=11

Or

(b) What do you mean by monetary and fiscal policies? Examine the effectiveness of monetary and fiscal policies in IS and LM frameworks. 2+9=11

7. (a) Distinguish between balance of payments (BoP) and balance of trade (BoT). "BoP is always balanced in accounting sense." Explain the meaning of the statement. 4+7=11

Or

(b) What do you mean by equilibrium and disequilibrium of BoP? What are the steps that may be taken to remove the deficits in the BoP? 6+5=11

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