

2021

(CBCS)
(3rd Semester)
ECONOMICS

THIRD PAPER
[Macroeconomics-I]

Full Marks: 75

Time: 2 hours

INSTRUCTIONS TO CANDIDATES

(Please read the instructions carefully before you start writing your answers)

1. Questions should be attempted as per instructions.
2. Do not copy the Questions. Indicate the Section and Question No. clearly while attempting the answer.
3. For Multiple choice answers, candidate should indicate the Question No., Sub. No., (if any) and the correct answer.
For example :

1. *Name the State capital of Mizoram.*

(a) *Lunglei*

(b) *Aizawl*

(c) *Champhai*

Candidate should provide answer as—Q. No. 1 : (b) *Aizawl*
[Candidate should avoid writing only (b)]

4. Section B - Answer to Short Answer should be limited to **One Page** only.
5. The figures in the margin indicate full marks for the questions.

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SECTION : A – OBJECTIVE

(Marks: 30)

Choose the correct answer from the following:

1x30=30

1. Disposable personal income is equivalent to
 - (a) National Income minus Direct taxes
 - (b) Personal Income minus personal direct taxes
 - (c) Personal income – Personal expenditure
 - (d) Personal income minus consumption expenditure

2. Gross National Product at Market Prices is equal to
 - (a) Gross Domestic Product at Market Prices + Net factor income from abroad
 - (b) Gross Domestic Product at Market Prices - Net factor income from abroad
 - (c) Gross Domestic Product at Market Prices + Transfer payment
 - (d) Gross Domestic Product at Market Prices – Transfer payment

3. Macroeconomics is also known as
 - (a) the theory of income and employment
 - (b) simply income analysis
 - (c) Both 'a' and 'b' are correct
 - (d) Both 'a' and 'b' are incorrect

4. Per capita income is found out by the formula

(a) $\frac{\text{National Income} \times 100}{\text{Population}}$

(b) $\frac{\text{National Income}}{\text{Population}}$

(c) $\frac{\text{population}}{\text{national Income}}$

(d) $\frac{\text{population} \times 100}{\text{National Income}}$

5. Circular Flow in a Four-Sector Open Economy is

(a) The household sector + the Business sector + the Government sector + the foreign sector

(b) The Household sector + the Business sector + the Export sector + the Import sector

(c) The Business sector + the Export sector + the Import sector + the Government sector

(d) The Household sector + the Consumer sector + the Investment sector + the Government sector

6. GDP Deflator is

(a) $\frac{\text{Nominal GDP}}{\text{Current year index}} \times 100$

(b) $\frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$

(c) $\frac{\text{Real GDP}}{\text{Nominal GDP}} \times 100$

(d) $\frac{\text{Nominal GDP}}{\text{Base Year (100)}} \times 100$

7. According to Keynes, the involuntary unemployment is due to

(a) deficiency of aggregate supply

(b) low level of investment

(c) Deficiency of aggregate demand.

(d) Low income

8. The components of aggregate demand are

(a) Consumption demand

(b) Investment demand

(c) Government expenditure and net exports

(d) All of the above

9. After the economy reached full employment level, then the shape of aggregate supply is
- (a) Slope upward
 - (b) Slope downward
 - (c) Vertical shape
 - (d) Horizontal shape
10. The greater the level of effective demand, greater will be
- (a) Money supply
 - (b) Level of employment
 - (c) Income
 - (d) None of the above
11. The classical theory is basically a supply-oriented and assumed full employment with
- (a) short-run analysis
 - (b) medium-term analysis
 - (c) long-run analysis
 - (d) All of the above
12. Aggregate demand price is the amount of money which the entrepreneurs
- (a) Expect to get by selling the output produced by the number of men employed
 - (b) Must receive by selling the output produced by the number of men employed
 - (c) Expect to consume by buying all the output produced by the number of men employed
 - (d) Must save and later consume by selling the output produced by the number of men employed
13. In the absolute income hypothesis, the amount of current consumption is determined by
- (a) current saving
 - (b) current profit
 - (c) current income
 - (d) current investment
14. Consumption Function that is influenced by the economy's income level is
- (a) Autonomous Consumption
 - (b) Induced Consumption
 - (c) Both (a) and (b)
 - (d) None of the above

15. If 'b' is Marginal Propensity to Consume (MPC) and 'a' is the intercept, a constant which measures consumption at a zero level of disposable income and 'Y' is the disposable income. The Keynesian Consumption function is written as

- (a) $C = ab + Y$ and $a > 0, 0 < b < 1$
- (b) $C = aY + b$ and $a > 0, 0 < b < 1$
- (c) $C = aY + bY$ and $a > 0, 0 < b < 1$
- (d) $C = a + bY$ and $a > 0, 0 < b < 1$

16. According to Keynes, Marginal Propensity to Consume (MPC) is

- (a) $0 > MPC < 1$
- (b) $0 = MPC = 1$
- (c) $0 < MPC > 1$
- (d) $0 < MPC < 1$

17. Duesenberry states that every individuals consumption behaviour is

- (a) That Consumption relations are irreversible and not reversible in time
- (b) Not independent but interdependent of the behaviour of every other individual
- (c) Both 'a' and 'b' are correct
- (d) Both 'a' and 'b' are incorrect

18. What is the Marginal Propensity to Consume (MPC), if

Income Y	Consumption C
Rs 1000	Rs 950
Rs 1200	Rs 1100

- (a) 0.75
- (b) 0.85
- (c) 0.90
- (d) 0.95

19. Investment is

- (a) Positively related to interest and negative related to interest
- (b) Positively related to income and negative related to interest
- (c) Negatively related to both income and interest
- (d) Negatively related to both income and interest

20. According to J. M. Keynes, savings is a function of
- (a) income
 - (b) rate of interest
 - (c) consumption
 - (d) Employment
21. The Marginal efficiency of capital curve is
- (a) a horizontal line
 - (b) a vertical line
 - (c) a downward sloping curve
 - (d) an upward sloping curve
22. Investment multiplier (k) is
- (a) $k = \frac{1}{1-MPC}$
 - (b) $k = \frac{1}{1-MPS}$
 - (c) $k = \frac{1}{1-APC}$
 - (d) $k = \frac{1-MPC}{1}$
23. The value of the Multiplier depends on
- (a) Average propensity to save
 - (b) Average propensity to invest
 - (c) Marginal propensity to consume
 - (d) Marginal propensity to save
24. The marginal efficiency of investment is the rate of return expected from a given investment on a capital asset after covering all its cost
- (a) Except the rate of interest.
 - (b) Except the cost of raw materials.
 - (c) Except the cost of transportation.
 - (d) Except the cost of capital assets.
25. The classical theory of interest rate is regarded as
- (a) real interest rate theory
 - (b) monetary interest rate theory
 - (c) loanable funds interest rate theory
 - (d) liquidity preference theory

26. Keynesian theory of interest is also known as
- (a) Liquidity preference theory
 - (b) Marginal productivity theory
 - (c) Loanable fund theory
 - (d) Monetary theory of interest
27. According to the neo-classical economists, interest is
- (a) The use of money for capital
 - (b) The price for the use of loanable funds
 - (c) The reward for parting with liquidity
 - (d) Payment for the use of capital goods
28. At liquidity trap, people prefer to keep indefinite amount of money because
- (a) the rate of interest is too high
 - (b) the rate of interest is too low
 - (c) the rate of interest is increasing too fast
 - (d) the rate of interest is fluctuating
29. Supply of loanable funds come from
- (a) Saving, dishoarding, disinvestment, bank credit
 - (b) Saving, consumption, investment, bank credit
 - (c) Saving, dishoarding, disinvestment, consumption.
 - (d) Savings, hoarding, investment, bank credit.
30. Speculative motive refers to the desire of the people to maintain some cash balance with them
- (a) To make speculative gains through purchase and sell of securities
 - (b) To make speculative gains through purchase and sell of consumer goods
 - (c) To make speculative gains through purchase and sell of capital goods
 - (d) To make speculative gains through saving and Investment

SECTION : B – SHORT ANSWER

(Marks : 45)

Answer the following questions in not more than 1 (one) page each, choosing 3 (three) questions from each unit.

3x15=45

UNIT-I

1. Mention the three methods of measuring National Income of a country.
2. What is Green Accounting?
3. Mention the components of Net factor income from abroad.
4. Distinguish between GNP at market price and GNP at factor cost.

UNIT-II

5. Distinguish between aggregate demand and aggregate supply.
6. What is effective demand?
7. Explain classical theory of employment.
8. "Supply creates its own demand." Explain.

UNIT-III

9. State the three propositions of Keynes' Psychological Law of Consumption.
10. Mention the three factors that influence consumption spending.
11. What is '*Ratchet Effect*'?
12. Distinguish between Marginal Propensity to Consume (MPC) and Marginal Propensity to Save (MPS)

UNIT-IV

13. Differentiate between autonomous investment and induced investment.
14. Explain marginal efficiency of capital.
15. What is investment multiplier?
16. Describe Ex-ante saving and Ex-ante investment.

UNIT-V

17. Write a note on classical concept of interest.
18. What is liquidity trap?
19. What are the three motives for holding money as given by Keynes?
20. Explain the neo-classical theory of interest.

***** End of Question *****