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(CBCS)

(3rd Semester)

ECONOMICS

THIRD PAPER

(Macroeconomics—I)

Full Marks : 75

Time : 3 hours

(PART : B—DESCRIPTIVE)

(*Marks* : 50)

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

1. *(a)* Describe the circular flow of income for a two-sector model. How does it help to calculate the National Income?   6+4=10

Or

(b) Describe the different methods of estimating the National Income.   10

2. *(a)* Discuss the classical theory of employment. On what grounds Keynes criticized it?   7+3=10

Or

(b) "The logical starting point of Keynes' theory of employment is the principle of effective demand." Discuss.   10

3. *(a)* Explain the meaning of consumption function. What are the characteristics of the consumption function?   3+7=10

Or

(b) Describe the working of income multiplier. What are the limitations to the working of the multiplier?   7+3=10

4. *(a)* Prove and illustrate that, at equilibrium of economy, investment is always equal to saving.   10

Or

(b) What is marginal efficiency of capital? How can investment decisions be taken on the basis of this criterion?   10

5. *(a)* Critically examine the neo-classical theory of interest with the help of a diagram.   10

Or

(b) Discuss Keynesian theory of interest.   10

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INSTRUCTIONS TO CANDIDATES

1. **The Booklet No. of this script should be quoted in the answer script meant for descriptive type questions and vice versa.**

2. **This paper should be ANSWERED FIRST and submitted within <u>1 (one) Hour</u> of the commencement of the Examination.**

3. **While answering the questions of this booklet, any cutting, erasing, over-writing or furnishing more than one answer is prohibited. Any rough work, if required, should be done only on the main Answer Book. Instructions given in each question should be followed for answering that question only.**

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(CBCS)

(3rd Semester)

ECONOMICS

THIRD PAPER

(Macroeconomics—I)

(PART : A—OBJECTIVE)

(*Marks* : 25)

The figures in the margin indicate full marks for the questions

SECTION—A

(*Marks* : 10)

Tick (✓) the correct answer in the brackets provided : 1×10=10

1. National Income at factor cost is equal to

(a) Gross National Income + Net Exports ( )

(b) Net National Income + Depreciation ( )

(c) Net National Income – Indirect Taxes + Subsidy ( )

2. NDP at Factor Cost + Indirect Taxes – Subsidies + Depreciation + Net Income from abroad is

(a) GNP at market price ( )

(b) GNP at factor cost ( )

(c) NDP at market price ( )

3. The classical theory assumes that

(a) there is always less than full employment ( )

(b) there is always full employment ( )

(c) full employment cannot be achieved ( )

4. Aggregate demand in a two-sector model is equal to

(a) Consumption demand + Investment demand ( )

(b) Speculative demand + Transaction demand ( )

(c) Effective demand + Ineffective demand ( )

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5. What is MPS, if MPC is 0·75?

(a) 0·75 ( )

(b) 0·50 ( )

(c) 0·25 ( )

6. The average propensity to consume is denoted by

(a) C / Y ( )

(b) C / Y ( )

(c) S / Y ( )

7. What is the multiplier coefficient 'K' when marginal propensity to consume C / Y is $\frac{3}{4}$?

(a) 2 ( )

(b) 3 ( )

(c) 4 ( )

8. Which of the following is responsive to the rate of interest?

(a) Induce investment ( )

(b) Net investment ( )

(c) Autonomous investment ( )

9. At liquidity trap, people preferred to keep indefinite amount of money because

(a) the rate is too high ( )

(b) the rate of interest is too low ( )

(c) the rate of interest is increasing too fast ( )

10. The loanable fund theory or the neo-classical theory of the rate of interest is a

(a) stock theory ( )

(b) flow theory ( )

(c) All of the above ( )

(5)

SECTION—B

(*Marks* : 15)

Answer/Write short notes on the following :   3×5=15

1. What is Nominal and Real GDP?

     Or

Green Accounting

2. What is Say's law?

Or

What is effective demand?

(7)

3. What is Keynes' psychological law of consumption?

Or

Write three measures to raise the propensity to consume.

4. Discounted present value of investment

Or

What is investment multiplier?

5. What is liquidity trap?

Or

What is speculative demand for money?

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