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( CBCS )

( 3rd Semester )

**ECONOMICS**

THIRD PAPER

**( Macroeconomics—I )**

*Full Marks : 75*

*Time : 3 hours*

**( 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.** For the calculation of NI, we should exclude

- (a) services rendered by a mother (    )
- (b) profit earned by government sectors (    )
- (c) payments made to the service holder (    )

**2.** GNP estimated at constant prices in a chosen or base year is called

- (a) nominal income (    )
- (b) real income (    )
- (c) current income (    )

- 3.** When income increases, consumption expenditure
- (a) also increases (    )
  - (b) decreases (    )
  - (c) remains as it is (    )
- 4.** Aggregate demand function is governed by consumption and
- (a) rate of interest (    )
  - (b) investment (    )
  - (c) money supply (    )
- 5.** Consumption function which is not influenced by current income is
- (a) induced consumption (    )
  - (b) autonomous consumption (    )
  - (c) Both (a) and (b) (    )
- 6.** Marginal propensity to save (MPS) is denoted by
- (a)  $\frac{Y}{C}$  (    )
  - (b)  $\frac{C}{Y}$  (    )
  - (c)  $\frac{S}{Y}$  (    )
- 7.** Savings is equal to
- (a) Income – Consumption (    )
  - (b) Income + Consumption (    )
  - (c) Consumption + Investment (    )
- 8.** Autonomous investment is
- (a) income inelastic (    )
  - (b) interest elastic (    )
  - (c) profit elastic (    )

9. According to the classical economist, the rate of interest is determined by

- (a) demand for and supply of investment ( )
- (b) demand for and supply of money ( )
- (c) demand for and supply of capital ( )

10. Liquidity trap occurs when

- (a) increase in money supply can't reduce rate of interest ( )
- (b) increase in money demand can't reduce rate of interest ( )
- (c) increase in rate of investment can't reduce rate of interest ( )

#### SECTION—B

( Marks : 15 )

Write on/Answer the following :

3×5=15

1. (a) What is Green Accounting?

**OR**

(b) Define GNP.

2. (a) Difference between classical theory of employment and Keynesian theory of employment

**OR**

(b) What is aggregate supply?

3. (a) Meaning of consumption function

**OR**

(b) State three factors influencing consumption spending

4. (a) Autonomous and induced investment

**OR**

(b) Concept of present discounted value

5. (a) Concept of Gross and Net interest

**OR**

- (b) Neo-classical theory of interest

**( PART : B—DESCRIPTIVE )**

( Marks : 50 )

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

1. What is national income identity? Explain national income identity with government and international trade. 3+7=10

**OR**

2. Explain the concept and components of national income. 10
3. Explain the Keynesian theory of employment in terms of the Principle of Effective Demand. 10

**OR**

4. "Supply creates its own demand". Discuss the statement. 10
5. Distinguish between APC and MPC. What are the factors influencing consumption in an economy? 4+6=10

**OR**

6. Explain the Keynesian theory of Absolute Income Hypothesis. 10
7. Explain the concept of investment multiplier. Briefly explain its effectiveness in LDCs. 7+3=10

**OR**

8. Define Marginal Efficiency of Capital. What are the factors influencing MEC? 3+7=10
9. Explain the classical theory of interest. 10

**OR**

10. Explain the loanable funds theory of Interest. 10

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