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(Pages : 4)

Reg. No.....

Name.....

B.A. DEGREE (CBCSS) EXAMINATION, NOVEMBER 2010

Third Semester

B.A. Economics (Model II)

Core Course—PRINCIPLES OF MACRO ECONOMICS

Time : Three Hours

Maximum Weight : 25

Answers may be written either in English or in Malayalam.

Part A

*All questions in each bunch are compulsory.
Each carries weight 1.*

I. Bunch I

1 MPC + MPS =

- (a) 1. (b) greater than 1.
(c) less than 1. (d) none of these.

2 Aggregate supply is :

- (a) I + S. (b) C + I.
(c) C + S. (d) All the above.

3 Marginal propensity to consume is :

- (a) $\frac{C}{Y}$. (b) $\frac{\Delta C}{\Delta Y}$.
(c) $\frac{\Delta S}{\Delta Y}$. (d) $\frac{\Delta Y}{\Delta C}$.

4 Which of the following is a flow variable ?

- (a) Capital. (b) Wealth.
(c) Saving. (d) Savings.

II. Bunch II

5 NNP = GNP0 –

- (a) Subsidy. (b) Direct tax.
(c) Depreciation. (d) Indirect tax.

6 Says law states that :

- (a) Demand creates its own supply.
(b) Supply creates its own demand.
(c) Supply creates demand for money.
(d) Supply creates money supply.

Turn over

* M.G. University Question Paper – November 2010.

- 7 Which of the following is not a concept in Macro economis :
- (a) Price level. (b) Relative price.
 (c) Full employment. (d) National Income.
- 8 In the relationship $C = f(Y)$, C = consumption, Y = income ; C is :
- (a) Dependant variable. (b) Independant variable.
 (c) Constant. (d) Parameter.

III. Bunch III

- 9 Effective demand means :
- (a) Aggregate Demand.
 (b) Consumers demand equals consumers supply.
 (c) Aggregate demand equals aggregate supply.
 (d) Producers demand.
- 10 Multiplier is a function of :
- (a) MPC. (b) Employment.
 (c) Wealth. (d) All the above.
- 11 Fishers equation is :
- (a) $MV = PT$. (b) $M = kPT$.
 (c) $n = pk$. (d) None of these.
- 12 Classical dichotomy is related to :
- (a) Consumption.
 (b) Interest rate of money.
 (c) Relation between real sector and money sector.
 (d) None of these.

IV. Bunch IV

- 13 If value of MPS = 1, then the multiplier is :
- (a) 1. (b) 0.
 (c) 2. (d) All the above.
- 14 Wage price flexibility is an assumption of :
- (a) Classical. (b) Keynesians.
 (c) Neo-classicals. (d) None of these.
- 15 Speculative demand for money is related to :
- (a) Gold. (b) Land.
 (c) Rubber. (d) Capital market.

16 For Keynes Interest is :

- (a) Real variable. (b) Monetary variable.
(c) Both. (d) None of these.

(4 × 1 = 4)

Part B (Short Answer)

*Write a paragraph (not exceeding 50 words) on any five of the following questions.
Each question carries 1 weight each.*

- 17 Explain the concepts stock and flow.
18 If MPC is 0.8 and investment is Rs. 100. What will be the income ?
19 Explain Fishers equation.
20 What are the different concepts in National Income Accounting ?
21 Estimate value added from the following data :—
A sells raw materials worth Rs. 500 to B
B sells semifinished goods worth Rs. 1,000 to C
C sells final goods worth Rs. 2,500 to consumers.
22 Explain the concept Effective Demand.
23 What is Multiplier ?
24 Write the equations of two sector and three sector Keynesian income determination model.

(5 × 1 = 5)

Part C (Short Essays/Problem solving)

*Write short essays not exceeding 150 words or give numerical or algebraic illustrations
on any four of the following questions.
Each question carries 2 weights.*

- 25 What is the difference between micro economics and macro economics ?
26 What are different problems faced by National Income Accounting in India ?
27 Explain the concept Net Economic Welfare.
28 Use the equation $C = 50 + 0.8 Y_d$ to construct a schedule for consumption when disposable income Y_d is 200, 300, 350 and 475.
29 Suppose $I = \text{Rs. } 70$, $C = \text{Rs. } 60 + 0.8 Y_d$, $Y_d = Y$
(a) Find equilibrium output.
(b) Find equilibrium output.
When there is Rs. 10 increase in investment.
30 What is the MPC when $C = \text{Rs. } 50 + 0.8 Y_d$ and $C = \text{Rs. } 100 + 0.6 Y_d$? Explain with suitable diagrams and bring out the difference in the slope of consumption functions.

(4 × 2 = 8)

Turn over

Part D

*Write essays not exceeding 300 words on any two of the following.
Each question carries weight 4 each.*

- 31 Compare the Transactions approach with cash balance approach of theory of money.
- 32 Explain two sector income determination model of Keynes.
- 33 Explain various methods of measuring National Income.

(2 × 4 = 8)