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Reg. No.....

Name.....

B.A. DEGREE (C.B.C.S.S.) EXAMINATION, JUNE 2026

Fifth Semester

B.A. Economics

Core Course—PRINCIPLES OF MACROECONOMICS

(2014–2016 Admissions—Mercy Chance)

[For Private Registration Candidates]

Time : Three Hours | Maximum Weight : 25

Instructions : *This question paper contains* **two sections**. *Answer* **Section I** *questions in the answer book provided.* **Section II Internal Examination** *questions must be answered in the* **question paper** *itself. Follow the detailed instructions given under* **Section II**.

Section I

Part A (Objective Type Questions)

Answer **all** *questions in this part.*
Each bunch of **four** *questions carries a weight of* 1.

I. Choose the correct answer :

1 Which of the following correctly represents the simple Keynesian equilibrium condition ?

(A) $Y = C + I$. (B) $Y = C - I$.

(C) $Y = S - I$. (D) $Y = M - V$.

2 The liquidity trap implies that :

(A) Money demand becomes highly interest-inelastic.

(B) Interest rates cannot fall below a certain level and additional money balances are willingly held.

(C) Investment becomes completely insensitive to interest rates.

(D) Consumption becomes zero.

Turn over

3. In the Classical system, an increase in saving, assuming flexible interest rates, would most likely :

   (A) Permanently reduce investment.

   (B) Lower the interest rate and stimulate investment.

   (C) Create a permanent deficiency of demand.

   (D) Reduce the productive capacity of the economy.

4. An economy experiencing high inflation together with high unemployment is commonly described as experiencing :

   (A) Deflation. (B) Stagflation.

   (C) Reflation. (D) Hyper-growth.

II. Fill in the blanks :

5 In a two-sector Keynesian model, leakage from the circular flow is represented by ————————.

6 If the MPC is 0.75, the MPS is ————————.

7 In the Classical model, wages are determined primarily by ————————.

8 Personal disposable income is generally obtained from personal income by subtracting ————————.

III. True *or* false :

9 If autonomous consumption increases while MPC remains unchanged, the Keynesian equilibrium income will decrease.

10 The paradox of thrift suggests that an attempt by everyone to increase saving may reduce aggregate income.

11 Under the Classical quantity theory, assuming velocity and real output are constant, a 10 % increase in money supply will approximately result in 10 % fall in prices.

12 The GDP deflator is calculated as Real GDP / Nominal GDP × 100.

IV. Choose the correct answer :

13 If the marginal propensity to consume is zero, the simple Keynesian multiplier is :

(A) 0. (B) 1.

(C) 5. (D) Infinite.

14 The Classical belief that general overproduction is impossible is most closely associated with :

(A) Keynes's principle of effective demand.

(B) Say's Law of Markets.

(C) Keynesian liquidity preference.

(D) The paradox of thrift.

15 Value added by a firm is equal to :

(A) Value of output - value of intermediate inputs.

(B) Value of output + intermediate inputs.

(C) Profit - wages.

(D) Sales - taxes.

16 Transfer payments are excluded from national income because :

(A) They are always paid in cash.

(B) They do not correspond to current production of goods and services.

(C) They are paid only by government.

(D) They are part of exports.

$(4 \times 1 = 4)$

Part B (Short Answers)

Write a short note on any **five** *questions, not exceeding* 50 *words each.*
Each question carries a weight of 1.

17 Differentiate between micro and macroeconomics.

18 Compare stock and flow variables.

19 Describe GNP deflator.

20 Distinguish between GNP and GDP.

21 Define foreign trade multiplier.

22 What is Keynes' effect ?

23 What are the leakages in multiplier ?

24 Describe the policy of laisez- faire.

(5 × 1 = 5)

Part C (Short Essays)

Write short essays on any four questions, not exceeding 150 *words each.*
Each question carries a weight of 2.

25 Describe various methods of measuring national income.

26 Explain Say's law of markets.

27 Examine key assumptions of classical economics.

28 Discuss Keynesian consumption function.

29 Explain liquidity preference theory of interest determination.

30 Discuss Keynesian analysis of sticky wages and prices.

(4 × 2 = 8)

Part D (Long Essays)

Answer any **two** *questions, not exceeding* 450 *words each.*
Each question carries a weight of 4.

31. Describe quantity theory of money. Explain the cash transaction and cash balance approaches

32. Describe national income. Discuss various concepts related to national income measurement. Examine national income calculation in India.

33. Examine Keynesian model of income determination in two and three sector economies

(2 × 4 = 8)