REV-01
MEC/03/06

2025/12

SET A

MA ECONOMICS
FIRST SEMESTER [REPEAT]
MACRO ECONOMICS ANALYSIS-I
MEC – 102
[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs. **Full Marks: 70**

Objective

Time: 30 mins. **Marks: 20**

Choose the correct answer from the following: ***1×20=20***

1. In macroeconomics, which of the following is considered a *stock* concept rather than a *flow* concept?
   a. National Income
   b. Investment
   c. Wealth
   d. Exports

2. In a *three-sector circular flow model*, the three sectors included are:
   a. Household, Government, Foreign
   b. Household, Firms, Government
   c. Firms, Government, Foreign
   d. Household, Firms, Foreign

3. Which of the following best describes GDP as a production total?
   a. Total income received by residents from domestic and foreign sources
   b. Total market value of all final goods and services produced within a country in a year
   c. Total expenditure by households, firms, and government
   d. Value of net factor income earned from abroad

4. NDP (Net Domestic Product) differs from GDP because NDP:
   a. Excludes indirect taxes
   b. Excludes consumption of fixed capital (depreciation)
   c. Includes net factor income from abroad
   d. Subtracts depreciation from GDP

5. According to Keynes' Psychological Law of Consumption, as income increases:
   a. Consumption increases more than proportionately
   b. Consumption increases proportionately
   c. Consumption increases less than proportionately
   d. Consumption remains constant

6. The key implication of Keynes' consumption law is that:
   a. APC rises as income rises
   b. APC falls as income rises
   c. MPC becomes zero in the long run
   d. Consumption becomes unstable

7. Which theory suggests that consumption is based on long-term expected income rather than current income?
   a. Keynesian theory
   b. Relative income theory
   c. Permanent income hypothesis
   d. Duesenberry's theory

8. According to Duesenberry's Relative Income Hypothesis:
   a. Consumption depends only on current income
   b. Consumption depends on income relative to past peak income
   c. Consumption depends on interest rates
   d. Consumption is independent of social comparison

9. Investment in Keynesian theory is primarily determined by:
   a. National income
   b. Interest rate and marginal efficiency of capital
   c. Consumption expenditure
   d. Government borrowing

10. The investment multiplier is defined as:
   a. Change in consumption over change in investment
   b. Ratio of change in income to change in investment
   c. Ratio of change in saving to change in income
   d. Difference between saving and investment

11. If MPC = 0.8, the value of investment multiplier is:
   a. 2
   b. 3
   c. 4
   d. 5

12. The accelerator principle states that investment depends on:
   a. Rate of interest
   b. Past level of consumption
   c. Rate of change of output or demand
   d. Government expenditure

13. According to the RBI approach to money supply, the main components considered are:
   a. Taxes and subsidies
   b. Net bank credit to government and commercial sector
   c. Exports and imports
   d. Subsidies and debt waivers

14. High-powered money (H) includes:
   a. Only coins and small currency
   b. Currency plus demand deposits
   c. Currency with the public + bank reserves
   d. Only time deposits

15. Budget deficits increase money supply mainly because:
   a. They reduce interest rates
   b. The government prints new currency directly
   c. The central bank finances deficit through credit to government
   d. Private banks reduce credit creation

16. Which of the following is an instrument of monetary policy?
   a. Public expenditure
   b. Cash Reserve Ratio (CRR)
   c. Progressive taxation
   d. Public distribution system

17. Open Market Operations (OMO) influence money supply by:
   a. Changing government expenditure
   b. Buying/selling government securities
   c. Increasing taxation
   d. Creating employment programmes

18. In Fisher's Quantity Theory of Money (MV = PT), the variable M refers to:
    a. Velocity of money
    b. Money supply
    c. Price level
    d. Real output

19. In the Cambridge cash balance approach, the demand for money is expressed as:
    a. Md = kPY
    b. Md = PV
    c. Md = M/P
    d. Md = T/V

20. Speculative demand for money, according to Keynes, is inversely related to:
    a. Income
    b. Price level
    c. Interest rate
    d. Government expenditure

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Descriptive

Time : 2 Hr. 30 Mins. **Marks : 50**

[Answer question no.1 & any four (4) from the rest]

1. What is investment Multiplier? Explain the working of investment Multiplier. 2+8=10

2. a) Describe the three sector model of circular flow of income. 5+5=10
   b) Discuss the concept of factor income and transfer income with the help of examples.

3. a) Distinguish between domestic product and national product. When can domestic product be more than national product? 5+5=10
   b) Briefly discuss the meaning of mixed income.

4. a) Explain the implication of Keynes's Psychological Law of consumption. 5+5=10
   b) Elaborate the "Absolute income hypothesis" of consumption theory.

5. a) Discuss the relative income hypothesis in consumption. 5+5=10
   b) Illustrate the permanent income hypothesis of consumption function.

6. a) What are the importances of investment multiplier? 5+5=10
   b) What are the determinants of money supply in the economy? Explain.

7. a) What are the different functions of Money? Explain. 5+5=10
   b) Elaborate the relationship between the High-Powered Money and Money Multiplier.

8. a) Explain Marshall's and Robertson's cash balance of quantity theory of money. 5+5=10
   b) Write a note on liquidity trap.

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