REV-00 2018/12
MEC/47/52

MA ECONOMICS
FIRST SEMESTER
MACRO ECONOMIC ANALYSIS-I
MEC-102

(Use separate answer scripts for Objective & Descriptive)

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

(PART-A : Objective)

Time: 20 min. **Marks: 20**

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

1. Which of the following is the money flow that corresponds to the real flow of resource?
a. Good and services **b.** Incomes
c. Factors of productions **d.** Consumption

2. The circular flow diagram is a model showing:
a. How the market system works.
b. The relationship between different sectors of the economy.
c. The relative importance of the different sectors of the economy.
d. That the different sector of economy is interdependent.

3. The financial year in India is:
a. April 1 to March 31 **b.** January 1 to December 31
c. March 1 to April 30 **d.** March 16 to March 15

4. Consider the following statements and identify the right ones.
I. National income is the monetary value of all final goods and services produced.
II. Depreciation is deducted from gross value to get the net value.
a. I only **b.** II only **c.** Both **d.** None

5. Consider the following statements and identify the right ones.
I. While calculating GNP, income generated by foreigners in a country is taken into consideration.
II. While calculating GNP, income generated by nationals of a country outside the country is taken into account.
a. I only **b.** II only
c. Both **d.** None

6. Autonomous consumption is:
a. A function of disposable income **b.** A function of national income
c. A function of GDP **d.** Independent of income

7. When the consumption curve is a straight line, the marginal propensity to save:
a. Is equal to one plus the MPC **b.** Increases as income increases
c. Is equal to one minus the MPC **d.** Decreases as income increases

8. The average propensity to consume is measured by:
a. C/Y **b.** C * Y **c.** Y/C **d.** C+Y

9. If the Keynesian consumption function is C = 10 + 0.8 Yd then, if disposable income is £1000, what is amount of total consumption?
a. £0.8 **b.** £800 **c.** £810 **d.** £0.81

10. An increase in consumption at any given level of income is likely to lead to:

a. Higher aggregate demand
b. An increase in exports
c. A fall in taxation revenue
d. A decrease in import spending

11. Who issues metallic coins in India?
a. RBI
b. Banks and financial institutions
c. Any of the above can issue it
d. Government of India

12. Consider the following statements and identify the right.
I. Deposits are created by banks and financial institutions.
II. They constitute the major source of money supply in India.
a. I only b. II only c. Both d. None

13. Which of the following is the most liquid measure of money supply in India?
a. M1 b. M2 c. M3 d. M4

14. In monetary terminology, what is called the 'monetary base' or 'high powered money'?
a. The total assets of RBI
b. The total liability of RBI
c. The total debt of the government
d. The total foreign exchange of RBI

15. The RBI can increase the money supply in the market by:
a. Selling government securities
b. Buying government securities
c. Borrowing money from commercial banks
d. None of the above

16. Whenever the government spends more than it collects through revenue, the resulting imbalance is known as:
a. Public deficit
b. Market deficit
c. Government deficit
d. Budget deficit

17. If the demand for money is interest-elastic, an increase in interest rates:
a. Would increase the liquidity of financial assets other than money.
b. Would have a powerful impact on the rest of economy.
c. Would have a small impact on the rest of the economy.
d. Would cause the supply of money to fall.

18. An increase in (i) the price level and (ii) the rate of inflation:
a. Cause the demand for money (i) to rise; (ii) to fall.
b. Cause the demand for money (i) to fall; (ii) to rise.
c. Both cause the demand for money to rise.
d. Both cause the demand for money to fall.

19. The quantity theory of money is a theory of:
a. How the money supply is determined.
b. How interest rates are determined.
c. How the nominal value of aggregate income is determined.
d. All of the above.

20. The velocity of money is:
a. The average number of times that a dollar is spent in buying the total amount of final goods and services.
b. The ratio of the money stock to high-powered money.
c. The ratio of the money stock to interest rates.
d. None of the above.

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PART-B : Descriptive

Time: 2 hrs. 40 min. **Marks: 50**

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

1. Explain the relationship between high powered money and money multiplier. 10

2. a. What is money flow and real flow? 5+5=10
b. Explain four sector model of circular of income.

3. a. Explain the relationship between MPC and MPS. 4+6=10
b. Elaborate Keynes psychological law consumption.

4. a. What is the working of investment multiplier? 6+4=10
b. Explain the accelerator effect.

5. a. What are the different determinants of money supply? 5+5=10
b. How money supply is measured in India?

6. a. Calculate NNP at FC by Income and Expenditure Method. 6+4=10

Particulars	Rupees in Corers
(i) Mixed income of self employed	100
(ii) Gross fixed capital formation	300
(iii) Private final consumption expenditure	900
(iv) Net exports	-50
(v) Subsidies	50
(vi) Government final consumption expenditure	150
(vii) Rent	60
(viii) Indirect taxes	250
(ix) Interest	200
(x) Change in stocks	50
(xi) Compensation of employees	400
(xii) Profit	340
(xiii) Consumption of fixed capital	50
(xiv) Net factor income from abroad	50

b. Elaborate the liquidity trap.

7. a. Discuss Fisher's quantity theory of money. 5+5=10
b. Explain Pigou's cash balance equation.

8. a. Discuss the relationship between budget deficit and supply of money. 3+3+4=10
b. Elaborate how to draw the LM curve.

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