2023/08

MA ECONOMICS
FIRST SEMESTER [SPECIAL REPEAT]
MACRO ECONOMIC ANALYSIS-I
MEC – 102

SET A

[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. 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

2. 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

3. 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

4. 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

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

6. 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

7. Depression is characterized by
   a. Unprecedented level of underemployment
   b. Drastic fall in income
   c. Drastic fall in output and employment
   d. All the above

8. The liquidity trap occurs when the demand for money:
   a. Is perfectly interest elastic
   b. Is perfectly interest inelastic
   c. Means that an increase in money supply leads to a fall in the interest rate
   d. Means that an increase in the money supply leads to an increase in the interest rate

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9. 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.

10. 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

11. Demand for good is
    a. Stock concept
    b. National income concept
    c. Flow concept
    d. None of these

12. 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

13. Real flow is-
    a. Money flow
    b. Liquid flow
    c. Good and services flow
    d. Petrol flow

14. 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

15. 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

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

17. If MPC=0.5, then value of multiplier will be
    a. 6
    b. 9
    c. 10
    d. 2

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

19. Speculative demand for money
    a. Depends on income
    b. Depends on expenditure
    c. Depends on interest rate
    d. None of the above.

20. 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

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$\boxed{\text{Descriptive}}$

Time : 2 Hr. 30 Mins.   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.   Explain the relationship between APC and APS.   4+6=10
     b.   Elaborate Keynes psychological law consumption.

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

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

5.   a.   What are the different phases of circular flow of income? Explain.   5+5=10
     b.   Explain three sector model of circular of income.

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

7.   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.

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

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