

**MA ECONOMICS**  
**Third Semester**  
**MACRO ECONOMIC ANALYSIS-I**  
**(MEC - 301)**

**Duration: 3Hrs.**

**Full Marks: 70**

Part-A (Objective) =20  
Part-B (Descriptive) =50

**(PART-B: Descriptive)**

**Duration: 2 hrs. 40 mins.**

**Marks: 50**

Answer any *four* from *Question no. 2 to 8*  
*Question no. 1 is compulsory.*

1. What are the principles of circular flow of income? Define leakages and injection of circular flow of income. Explain four sector model of circular flow of income. (2+2+6=10)
2. a) Calculate value added by firm A and firm B. (5+5=10)

<b>Particulars</b>	<b>Rs in crores</b>
i) Sales by firm A	100
ii) Purchases from firm B by firm A	40
iii) Purchases from A by firm B	60
iv) Sales by firm B	200
v) Closing stock of firm A	20
vi) Closing stock of firm B	35
vii) Opening stock of firm A	25
viii) Opening stock of firm B	45
ix) Indirect taxes paid by both the firms	30



b) Calculate national income by income and expenditure method.

<b>Particulars</b>	<b>Rs in crores</b>
i) Government final consumption expenditure	50
ii) Rent	150
iii) Opening stock	20
iv) Interest	80
v) Profit	50
vi) Private final consumption expenditure	480
vii) Gross fixed capital formation	90
viii) Closing stock	35
ix) Net exports	-5
x) Net indirect taxes	60
xi) Compensation of employees	200
xii) Consumption of fixed capital	20
xiii) Mixed income of self employed	50
xiv) Net factor income from abroad	20

3. a) State the psychological law of consumption. (5+5=10)  
b) What are the assumptions of the law?
4. a) State the relative income hypothesis. (5+5=10)  
b) State the two important factors which form the basis of Duesenberry's relative income Hypothesis.
5. Explain High-powered money and money multiplier. (10)
6. What is Liquidity Trap? Explain Keynes "Liquidity preference theory of money." (4+6=10)
7. Discuss measures of money supply in India. How budget deficit affects money supply? (6+4=10)



8. Elaborate in detail the Fisher's quantity theory of money. Discuss its two criticisms.

(8+2=10)

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**Duration: 20 minutes**

**Marks – 20**

**(PART A - Objective Type)**

**I. Choose the correct answer:**

**1×20=20**

1. NDFC is considered as-  
a) Domestic income                      b) National income  
c) Private income                         d) Personal income
2. Study of per capita income is a-  
a) Study of agriculture                  b) Study of industry  
c) Macroeconomic study                d) None of the above
3. Transfer income is-  
a) income for performing a given job    b) income without performing a job  
c) income from agriculture                d) income from industry
4. High powered money is-  
a) saving account+ current account                      b) money with reserve bank  
c) money in circulation+ legal reserve requirement    d) none of the above
5. According to the psychological law of consumption, the MPC is-  
a) <0                      b) >1                      c) <1                      d) none of the above
6. The “general theory” of Keynes describes the-  
a) Underdeveloped economy during inflation.  
b) Underdeveloped economy during depression.  
c) Developed economy during depression.  
d) All of the above.
7. Autonomous consumption is-  
a) Consumption by autonomous people.  
b) Consumption influenced by income.  
c) Consumption unrelated to the income.  
d) None of the above.
8. The “General Theory” is based on the premise that-  
a) Consumption function stable in the short run.  
b) Consumption function is stable in the long run.  
c) Consumption function is not stable in short run.  
d) None of the above.



9. In the two sector model of circular flow of income, the two sectors are-
- a) household and government      b) firm and government  
c) firm and household              d) firm and government
10. Problem of double counting in national income can be eradicated with-
- a) expenditure method              b) income method  
c) BOP method                      d) value added method
11. Investment multiplier is the ratio of-
- a)  $\Delta C/\Delta I$       b)  $\Delta Y/\Delta I$       c)  $\Delta I/\Delta Y$       d)  $\Delta S/\Delta Y$
12. M1 is considered as-
- a) narrow money                      b) broad money  
c) most liquid money              d) none of the above
13. Which one is the near money?
- a) Rs. 2000 note                      b) Gold  
c) Bill of exchange                  d) Silver
14. Secondary function of money is-
- a) Medium of exchange              b) Store of value  
c) Unit of value                      d) Standard of deferred payment
15. During liquidity trap speculative demand for money is-
- a) Perfectly inelastic                  b) Perfectly elastic  
c) Less elastic                      d) None of the above
16. An increase in (i) the price level and (ii) the rate of inflation
- a) Both cause the demand for money to fall.  
b) Cause the demand for money (i) to rise (ii) to fall.  
c) Cause the demand for money (i) to fall (ii) to rise.  
d) Both cause the demand for money to rise.
17. The RBI can increase the money supply in the market by
- a) Selling Govt. securities              b) Buying Govt. securities  
c) Borrowing money from commercial banks      d) none of the above
18. The number by which change in investment must be multiplied in order to determine the resulting change in total output is called
- a) Inflation                              b) GDP deflator  
c) The multiplier                      d) None of the above
19. If Govt. spending increases
- a) GDP will increase by the amount that Govt. spending increase.  
b) GDP will increase by the expenditure multiplier times the amount by which Govt. spending increases.  
c) GDP will decrease by the expenditure multiplier times the amount by which Govt. spending increases.  
d) None of the above.

20. Consider the following statements and identify the right ones.

i) Personal income refers to the income of individuals of a country.

ii) The income at their disposal after paying direct taxes is called disposable income.

a) 1 only

b) 2 only

c) Both

d) None

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