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(Held in 2023)

ECONOMICS

Paper : ECOHC1026

(Introductory Macroeconomics)

<u>Full Marks : 80</u>

Pass Marks : 32

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. Choose the correct answer from the following :   1×6=6

   (a) Accounting of national income at constant prices is known as

      (i) money income

      (ii) real income

      (iii) current income

      (iv) domestic income

   (b) Net domestic product at factor cost is calculated using

      (i) NDP_{MP} – indirect tax

      (ii) NDP_{MP} – indirect taxes + subsidies

      (iii) NDP_{MP} – subsidies

      (iv) NDP_{MP} – depreciation

(c) In linear consumption function

$$C = c + bY; \quad b \text{ implies}$$

(i) APC

(ii) APS

(iii) MPC

(iv) MPS

(d) Which of the following is included in the circular flow of income?

(i) Real flow

(ii) Money flow

(iii) Both (i) and (ii)

(iv) None of the above

(e) Say's law of market is based on

(i) Foreign investment policy

(ii) Laissez-faire policy

(iii) Government policy

(iv) State intervention

(f) If MPC = 0·75, the value of multiplier is

(i) 4

(ii) 7·5

(iii) 0·75

(iv) 5

(Continued)

2. Answer the following questions :   2×5=10

(a) Define transfer payment with example.

(b) Distinguish between real GDP and nominal GDP.

(c) What is money flow in the circular flow of income?

(d) What is aggregate supply function?

(e) Write any two assumptions of the classical quantity theory of money.

3. Answer any six of the following questions :

5×6=30

(a) Explain the product method of estimation of national income.

(b) What is economic welfare? Give some arguments in favour of GNP as a measure of economic welfare.

(c) Discuss the statement "Supply creates its own demand".

(d) Write the differences between the classical and Keynesian theory of employment.

(Turn Over)

(e) Explain how the Keynesian theory is considered as superior to classical theory of employment.

(f) What is aggregate demand? Explain the components of aggregate demand.

(g) Discuss the implications of Keynesian theory of employment.

(h) Discuss in brief the subjective and objective factors of affecting consumption function.

(i) Explain in brief the concept of liquidity trap with diagram.

4. Answer any *two* of the following questions :

10×2=20

(a) What is circular flow of income? Explain how circular flow of income takes place in the two-sector economy.

(b) Critically explain the quantity theory of money.

(c) What is effective demand? Describe with diagram how the point of effective demand is determined. 2+8=10

(Continued)

5. Answer any *one* of the following questions : 14

(a) What is consumption function? Explain the technical attributes of consumption function with diagram. Also establish that the relationship between MPC and MPS is MPC + MPS = 1. 2+8+4=14

(b) Critically explain the Keynesian liquidity preference theory of the demand for money. 8+6=14

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