Room-1
only Exam

2015

ECONOMICS — II — HONOURS

First Paper

[C – 21 – A]

(Macroeconomics)

Full Marks – 50

The figures in the margin indicate full marks

Candidates are required to give their answers in their own words as far as practicable

Group – A

1. Answer the following questions : 2×4

   (*a*) What is circular flow of income?

   (*b*) Distinguish between real GDP and nominal GDP.

   Or

   How would you differentiate personal income from national income?

   (*c*) Why should pension be excluded from national income?

   (*d*) What is meant by *value added* ?

   Or

   What is GDP at factor cost?

Group – B

2. Answer the following questions :

   (*a*) Define average propensity to save (APS) and average propensity to consume (APC). How are they related? 2+2+2

   Or

   What is consumption function? What are the characteristics of Keynesian consumption function? 2+4

[Turn Over]

(b) Suppose that the consumption function is given by $C = 100 + 0.8\ Y_d$. Further, it is given that $I = 50$ and $G = T = 10$.

(i) Obtain the equilibrium level of income.

(ii) What is the level of saving in equilibrium? 3+3

Or

"In the context of the simple Keynesian model, the increase in income is a multiple of the increase in autonomous investment"—Explain. 6

(c) Discuss, in the IS–LM framework, the possible impact of an increase in money supply on income and the rate of interest. 6

(d) What is an IS curve? When will the IS curve shift to the left? When can there be a rightward shift in the curve? 2+2+2

Or

Show the effectiveness of pure fiscal policy over different ranges of the LM curve. 6

(e) What do you mean by 'demand for money'? Discuss briefly, in the light of the Keynesian framework, the different motives of demand for money. 2+4

Group – C

3. Answer the following question :

What is meant by money supply? Indicate the different measures of money supply adopted by the RBI. In this context, distinguish between 'narrow money' and 'broad money'. 2+6+4

Or

What is demand-pull inflation? How can monetary policy be used to control demand-pull inflation? 4+8