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(3rd Semester)

ECONOMICS

Paper No. : ECO–301

(Macroeconomics—I)

(New Course)

Full Marks : 70   *Pass Marks* : 45%

Time : 3 hours

(PART : B—DESCRIPTIVE)

(*Marks* : 45)

*The figures in the margin indicate full marks
for the questions*

UNIT—I

1. Explain the various concepts of national income.   9

OR

2. Discuss the concept of circular flow of income accounting.   9

UNIT—II

3. Explain the classical theory of employment with its assumptions. 9

OR

4. Define aggregate demand. Explain the principle of effective demand 3+6=9

UNIT—III

5. What is a consumption function? What are the determining factors of consumption function? 2+7=9

OR

6. Explain the relative income hypothesis. What are its limitations? 6+3=9

UNIT—IV

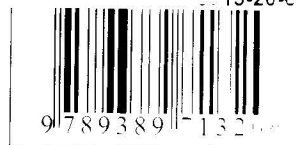**7.** Explain the liquidity preference theory of interest. 9

OR

8. Critically explain the modern theory of interest. 9

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UNIT—V

9. Define investment multiplier. Explain the working of the investment multiplier.   2+7=9

OR

10. Explain the general equilibrium with the help of *IS-LM* curves.   9

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(3rd Semester)

ECONOMICS

Paper No. : ECO–301

(Macroeconomics—I)

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(PART : A—OBJECTIVE)

(*Marks* : 25)

The figures in the margin indicate full marks for the questions

SECTION—I

(*Marks* : 15)

A. Put a Tick (✓) mark against the correct answer in the brackets provided : 1×10=10

1. Mixed income of the self-employed refers to

   (a) gross profits received by proprietors ( )

   (b) wages due to family workers ( )

   (c) rent, interest and profit of an enterprise ( )

   (d) combined factor payments which are not distinguishable ( )

2. Which of the following shows the relationship between the circular flow of goods and income?

   (a) Income and money ( )

   (b) Wages and salaries ( )

   (c) Firms and households ( )

   (d) Goods and services ( )

3. The classical economists assume the existence of

   (a) full employment equilibrium ( )

   (b) underemployment equilibrium ( )

   (c) cyclical unemployment equilibrium ( )

   (d) None of the above ( )

4. Keynesian economics becomes popular because it was able to explain

   (a) stagflation in the late 1970s ( )

   (b) demand-pull inflation in the 1960s ( )

   (c) low growth rates in the 1950s ( )

   (d) the prolonged existence of high unemployment during the great depression ( )

5. Keynes emphasized on which of the following while explaining the level of employment?

   (a) Changes in technology ( )

   (b) Aggregate demand ( )

   (c) Inflationary expectations ( )

   (d) Lending by financial institutions ( )

6. When there is an increase in MPC, then it will

   (a) shift the consumption function upwards ( )

   (b) shift the consumption function downwards ( )

   (c) shift the saving function upwards ( )

   (d) lead to the consumption function becoming steeper ( )

7. Which of the following is called the neo-classical theory of interest?

   (a) Loanable funds theory ( )

   (b) Time preference theory ( )

   (c) Liquidity preference theory ( )

   (d) Keynesian theory ( )

(**4**)

8. According to Keynes, the interest is determined by

   (a) aggregate demand and aggregate supply ( )

   (b) the supply and demand for loanable funds ( )

   (c) the supply and demand for money ( )

   (d) the supply and demand for labour ( )

9. The factor that adversely affects the operation of multiplier is

   (a) involuntary unemployment ( )

   (b) imports ( )

   (c) industrial economy ( )

   (d) elastic supply of capital and other factors ( )

10. The *LM* curve shows the equilibrium condition of

   (a) money market ( )

   (b) goods market ( )

   (c) product market ( )

   (d) money and goods market ( )

B. Indicate whether the following statements are True (T) or False (F) by putting a Tick (✓) mark :

1×5=5

1. Gross domestic product includes net income from abroad.

(T / F)

2. Aggregate demand is the sum of consumption expenditure and investment expenditure.

(T / F)

3. Marginal propensity to consume is positive but less than 1.

(T / F)

4. Modern theory of interest assumes full employment of resources.

(T / F)

5. Induced investment is income elastic.

(T / F)

SECTION—II

(*Marks* : 10)

C. Write short notes on any *five* of the following : 2×5=10

1. Technique of social accounting

2. Nature of double entry

3. Keynes' objection to the classical theory of income and employment

4. Short-run consumption function

5. Autonomous investment

6. Marginal efficiency of capital

7. Classical view on interest

8. Loanable funds theory of interest

★ ★ ★