

2019

(4th Semester)

ECONOMICS

Paper : Eco-401

(Macroeconomics—II)

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*

1. Define Money. Discuss the functions of money. 2+7=9

Or

Critically examine the Fisher's equation of exchange. 9

2. Define a bank. Discuss the functions of commercial banks. 1+8=9

Or

Explain how a central bank can control credit through bank rate and open market operation. 9

3. What is money supply? Describe the various components of money supply. 2+7=9

Or

Describe the measures of money supply used by Reserve Bank of India. 9

4. Define inflation. What are the various types of inflation? 2+7=9

Or

Explain the effects of inflation on production and distribution. $4\frac{1}{2}+4\frac{1}{2}=9$

5. What is business cycle? Explain how business cycles can be controlled. 2+7=9

Or

Critically discuss Hicks' theory of trade cycle. 9

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ECONOMICS

Paper : Eco-401

(**Macroeconomics—II**)

(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. In the Fisherian equation, value of money is determined by

(a) supply of money ()

(b) demand for money ()

(c) demand for and supply of money ()

(d) quantity of money ()

2. Which one of the following is a primary function of money?

- (a) Measure of value ()
- (b) Store of value ()
- (c) Transfer of value ()
- (d) Standard of deferred payment ()

3. Which of the following is not a quantitative method of credit control?

- (a) Open market operation ()
- (b) Bank rate ()
- (c) Regulation of consumer credit ()
- (d) Variable cash reserve ratio ()

4. Money supply means

- (a) currency ()
- (b) currency notes in circulation ()
- (c) cash balances held by the Government and the banks ()
- (d) total stock of money in circulation at any moment ()

5. An increase in the money supply would lead to which of the following?
- (a) Higher interest rate ()
 - (b) Lower interest rate ()
 - (c) A recession ()
 - (d) Higher Government spending ()
6. Which of the following functions is performed by a Central Bank?
- (a) Credit creation ()
 - (b) Discounting of bills ()
 - (c) Ownership of commercial banks ()
 - (d) Custodian of cash reserves of banks ()
7. The concept of inflationary gap was given by
- (a) Wicksell ()
 - (b) Keynes ()
 - (c) Milton Friedman ()
 - (d) A. W. Phillips ()

8. During inflation, the wage and salary earners are
- (a) gainers ()
 - (b) losers ()
 - (c) not affected ()
 - (d) None of the above ()
9. The monetary theory of trade cycle is associated with the name of
- (a) J. M. Keynes ()
 - (b) A. C. Pigou ()
 - (c) R. G. Hawtrey ()
 - (d) J. Schumpeter ()
10. During the upward phase of a trade cycle, the central bank will
- (a) increase the cash reserve ratio ()
 - (b) increase the bank rate ()
 - (c) lower down the cash reserve ratio ()
 - (d) lower interest rate ()

B. Indicate *True (T)* or *False (F)* by a Tick (✓) mark :

1×5=5

1. Value of money is inversely related to the price level.

(T / F)

2. Commercial banks are the custodians of foreign reserves.

(T / F)

3. Broad money is high-powered money.

(T / F)

4. Business cycles operate periodically at regular intervals of 10 to 12 years.

(T / F)

5. During inflation, debtors are generally the gainers.

(T / F)

SECTION—II

(Marks : 10)

C. Write/Answer briefly on any *five* of the following :

2×5=10

1. Importance of money in modern economy

2. Explain Central Bank's function as a banker to the Government.

3. What is high-powered money?

4. What is galloping or hyperinflation?

(10)

5. What are the different phases of a trade cycle?

6. Distinguish between Inflation and Deflation.

7. Concept of accelerator
