

Ba/Eco-401 (N)

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(4th Semester)

ECONOMICS

Paper : Eco-401

(Macroeconomics—II)

(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. (a) Explain clearly Keynes' approach to the value of money.

9

Or

- (b) How far is the cash balance approach superior to the cash transaction approach to the quantity theory of money?

9

22L/279a

(Turn Over)

(2)

UNIT—II

2. (a) Explain the purpose of credit creation by the commercial banks. What are its leakages? 3+6=9

Or

- (b) Explain the quantitative credit control methods of the RBI. 9

UNIT—III

3. (a) What is money supply? Describe the various components of money supply. 3+6=9

Or

- (b) Describe the measures of money supply used by the Reserve Bank of India 9

UNIT—IV

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

Or

- (b) Explain the effects of inflation on production and distribution. 9

UNIT—V

5. (a) Describe the phases of a typical trade cycle. 9

Or

- (b) Examine Hicks' theory of trade cycles. 9

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ECONOMICS

Paper : Eco-401

(**Macroeconomics—II**)

(New Course)

(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. According to Fisher's equation, an increase in the quantity of money lead to

(a) a decrease in the price level ()

(b) an increase in the price level ()

(c) a proportionate increase in the price level ()

(d) None of the above ()

(2)

2. $PT = MV$ is known as

- (a) the equation of balance ()
- (b) the equation of exchange ()
- (c) the equation of transaction ()
- (d) the equation of production ()

3. At times of inflation, it is likely that the Central Bank will

- (a) raise the CRR% ()
- (b) lower the CRR% ()
- (c) keep the CRR% unchanged ()
- (d) Either (b) or (c) ()

4. The value of money varies directly with the

- (a) demand for money ()
- (b) supply of money ()
- (c) purchasing power of money ()
- (d) price level ()

5. Which of the following quantitative methods of credit control is more direct and powerful?
- (a) Bank rate ()
 - (b) Open market operation ()
 - (c) Variable cash reserve ratio ()
 - (d) Fixation of margin requirements ()
6. During economic depression, under open market operations
- (a) the Central Bank becomes purchaser of securities ()
 - (b) the commercial banks become sellers of securities ()
 - (c) Both (a) and (b) ()
 - (d) Neither (a) nor (b) ()
7. The narrowest measure of money supply, according to the RBI's classification is
- (a) M_1 ()
 - (b) M_2 ()
 - (c) M_3 ()
 - (d) M_4 ()

8. During inflation, fixed income earners are

- (a) the losers ()
- (b) the gainers ()
- (c) not affected ()
- (d) None of the above ()

9. During inflation, public expenditure should be

- (a) expanded ()
- (b) contracted ()
- (c) not changed ()
- (d) Both (a) and (b) ()

10. In a business cycle, peak is followed by

- (a) recovery ()
- (b) trough ()
- (c) recession ()
- (d) prosperity ()

B. Indicate *True (T)* or *False (F)* by putting a Tick (✓) mark : 1×5=5

1. Bank rate policy is a qualitative credit control measure.

(T / F)

2. In the Fisherian equation, demand for money has been represented by PT.

(T / F)

3. Disinflation is the decrease in the rate of inflation.

(T / F)

4. Commercial banks create credits by advancing loans and purchasing securities.

(T / F)

5. Hicks' theory of trade cycle states that the interaction of the multiplier and the accelerator causes economic fluctuations around the warranted rate of growth.

(T / F)

(6)

SECTION—II

(Marks : 10)

C. Write short notes on any *five* of the following :

1. Importance of money in present economy

(7)

2. Selective credit control

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(8)

3. Velocity of circulation of money

4. Monetary measures to control inflation

5. Inflationary gap

(11)

6. Concept of accelerator

(12)

7. Meaning of trade cycle

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