

Ba/EC2.M2

2024

(FYUGP)

(2nd Semester)

ECONOMICS

(Minor)

Paper Code : EC2.M2

(**Introductory Macroeconomics**)

Full Marks : 75

Pass Marks : 40%

Time : 3 hours

(PART : B—DESCRIPTIVE)

(Marks : 50)

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

Answer **five** questions, taking **one** from each Unit

UNIT—I

1. Explain briefly the methods of measuring national income. State the difficulties in measuring national income.

6+4=10

24L/828a

(Turn Over)

(2)

2. Explain with diagram the two-sector circular flow of income model. What are leakages and injections in the context of the model? 6+4=10

UNIT—II

3. Explain Say's law of market with its criticisms. 10
4. What is effective demand? Discuss the determination process of equilibrium level of employment through effective demand. 2+8=10

UNIT—III

5. Define money. Elaborate the functions of money. 2+8=10
6. Elaborate the process of credit creation by commercial banks. State the potential consequences of excessive credit creation. 8+2=10

UNIT—IV

7. Explain the effects of inflation. 10
8. What are the causes of inflation? Discuss the measures to control inflation. 4+6=10

(3)

UNIT—V

9. Define BOP. Explain the components of BOP. 2+8=10
10. Explain in detail the adjustment mechanisms of balance of payments. 10

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(PART : A—OBJECTIVE)

(Marks : 25)

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A. Choose the correct answer and put a Tick (✓) mark against the brackets provided : 1×15=15

1. Mixed income of the self-employed means

- (a) gross profits received by proprietors ()
- (b) rent, interest and profit of an enterprise ()
- (c) combined factor payments which are not distinguishable ()
- (d) wages due to family workers ()

2. NNP at factor cost is
- (a) equal to national income ()
 - (b) more than national income ()
 - (c) less than national income ()
 - (d) always more than GNP ()
3. In the circular flow model of income, households are
- (a) buyers of goods and services ()
 - (b) sellers of factors of production ()
 - (c) Both (a) and (b) ()
 - (d) None of the above ()
4. Say's law implies that an increase in production will
- (a) lead to a decrease in demand ()
 - (b) result in excess supply ()
 - (c) cause inflation ()
 - (d) generate income, which will create its own demand ()

5. In the Keynesian model, the consumption function describes the relationship between
- (a) disposable income and savings ()
 - (b) investment and government spending ()
 - (c) consumption and savings ()
 - (d) disposable income and consumption expenditure ()
6. Which of the following is not a component of aggregate demand?
- (a) Producer surplus ()
 - (b) Consumption ()
 - (c) Investment ()
 - (d) Government spending ()
7. The volume of K in Cambridge equation depends on
- (a) money supply ()
 - (b) real national income ()
 - (c) velocity of circulation ()
 - (d) interest rate ()

8. Money supply means

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

9. What role do reserve requirements play in credit creation?

- (a) They limit credit creation ()
- (b) They encourage credit creation ()
- (c) They have no impact ()
- (d) They facilitate credit creation ()

10. The concept of inflationary gap was given by

- (a) Wicksell ()
- (b) Keynes ()
- (c) Milton Friedman ()
- (d) A. W. Phillips ()

11. What impact does deflation have on wages?

- (a) Wages decrease due to lower demand for labour ()
- (b) Wages increase due to higher productivity ()
- (c) Wages remain same ()
- (d) Wages fluctuate randomly ()

12. The primary cause of hyperinflation is

- (a) tight monetary policy ()
- (b) increase in productivity ()
- (c) decline in aggregate demand ()
- (d) excessive money supply growth ()

13. Which of the following is not included in the Current Account of balance of payments?

- (a) Merchandise ()
- (b) Travel and transportation ()
- (c) Transfer payments ()
- (d) Foreign investment ()

14. Which of the following is a debit item in balance of payments?

- (a) Import of goods ()
- (b) Income from investment abroad ()
- (c) Receipts from transfer payments ()
- (d) Export of services ()

15. Which of the following measures will be adopted to remove disequilibrium in BOP?

- (a) Increase in exchange rate ()
- (b) Devaluation ()
- (c) Inflation ()
- (d) Restriction on exports ()

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

1. Macroeconomics

14. Write short notes on any two of the following: (10 marks)

2. Money supply

1. Macroeconomics

- (a) Import of goods ()
- (b) Income from investment abroad ()
- (c) Receipts from transfer payments ()
- (d) Export of services ()

15. Which of the following measures will be adopted to remove disequilibrium in BOP?

- (a) Increase in exchange rate ()
- (b) Devaluation ()
- (c) Inflation ()
- (d) Restriction on exports ()

3. Inflation vs. Deflation

4. Inflation vs. Deflation

5. Quantity theory of money

(12)

6. Difference between BOP and BOT

Ba/EC2.M2/828

(13)

7. Inflationary gap

Ba/EC2.M2/828

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