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

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

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

2. Money supply

3. Inflation

4. Inflation vs. Deflation

5. Quantity theory of money

6. Difference between BOP and BOT

7. Inflationary gap

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