

22 OCT 2013

III/ECO (iii)

2013

( 3rd Semester )

ECONOMICS

THIRD PAPER

( Macroeconomics )

Full Marks : 75

Time : 3 hours

( PART : B—DESCRIPTIVE )

( Marks : 50 )

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

Answer **all** questions

UNIT—1

1. Explain the concept and components of National Income. 10

Or

Explain various methods of measuring National Income.

14G—1450/40a

( Turn Over )

( 2 )

UNIT—2

2. "Supply creates its own demand." Critically discuss the statement. 10

Or

Examine Keynesian theory of income and employment.

UNIT—3

3. State the concept of Marginal Propensity to Consume (MPC). State the relation between Average Propensity to Consume (APC) and Marginal Propensity to Consume (MPC). 5+5=10

Or

Discuss the Duesenberry's relative income hypothesis. 10

UNIT—4

4. Explain the concept of investment multiplier. Briefly state its effectiveness in LDCs. 7+3=10

Or

"Savings and investment are equal in equilibrium." Explain. 10

UNIT—5

5. Discuss the classical theory of interest. 10

Or

Discuss Keynesian theory of interest.

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( 3rd Semester )

**ECONOMICS**

THIRD PAPER

( **Macroeconomics** )

( PART : A—OBJECTIVE )

( Marks : 25 )

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

Answer **all** questions

SECTION—A

( Marks : 10 )

Tick (✓) the correct answer in the brackets provided : 1×10=10

**1.** National income at factor cost is equal to

- (a)  $NNP + \text{indirect taxes} - \text{subsidies} + \text{other incomes}$  accruing to the government ( )
- (b)  $NNP - \text{direct taxes} + \text{subsidies} + \text{profits}$  accruing to the government ( )
- (c)  $NNP - \text{indirect taxes} + \text{subsidies}$  ( )

**2.** National income is a

- (a) stock concept ( )
- (b) flow concept ( )
- (c) None of the above ( )

3. Classical theory of employment assumes

- (a) full-employment equilibrium ( )
- (b) underemployment equilibrium ( )
- (c) cyclical-employment equilibrium ( )

4. The value of MPC is

- (a)  $>1$  ( )
- (b)  $1$  ( )
- (c)  $>0 <1$  ( )

5. Autonomous investment is

- (a) income inelastic ( )
- (b) interest elastic ( )
- (c) profit elastic ( )

6. According to Lord Keynes, savings is a function of

- (a) income ( )
- (b) rate of interest ( )
- (c) consumption ( )

( 3 )

7. Marginal propensity to save is defined as

(a)  $S / Y$  ( )

(b)  $1 - \Delta C / \Delta Y$  ( )

(c)  $Y / S$  ( )

8. Effective demand is

(a) greater than NI ( )

(b) equal to NI ( )

(c) less than NI ( )

9. Duesenberry hypothesis makes two observations regarding factors determining consumption function. They are

(a) past living and demonstration effect ( )

(b) rate of interest and savings ( )

(c) windfall gains and losses ( )

10. In Keynesian terminology, investment refers to real investment which adds to

(a) capital equipment ( )

(b) capital goods ( )

(c) capital investment ( )

( 4 )

SECTION—B

( Marks : 15 )

Answer/Write short notes on the following :

3×5=15

1. Define GNP.

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( 5 )

2. What is effective demand?

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( 6 )

**3. Determinants of induced investment**

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( 7 )

4. Marginal efficiency of capital

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( 8 )

5. Consumption function

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