

04 DEC 2015

Subject Code : **III/ECO** (iii)

Booklet No. **A** 401

04 DEC 2015

III/ECO (iii)

2015

(3rd Semester)

ECONOMICS

THIRD PAPER

(**Macroeconomics—I**)

Full Marks : 75

Time : 3 hours

(PART : B—DESCRIPTIVE)

(Marks : 50)

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

UNIT—I

1. Define GNP. Discuss the value-added method of computation of national income.

2+8=10

Or

Define GNP. What are the major difficulties in computing national income?

2+8=10

G16/43a

(Turn Over)

Signature of the Candidate

Semester

Commerce /
) Exam., 2015

Signature of the Candidate

Signature of the Candidate

/43

(2)

UNIT—II

2. Explain how aggregate demand and aggregate supply determine the level of income, output and employment. 10

Or

"Supply creates its own demand." Discuss the statement. 10

UNIT—III

3. What is consumption function? Explain with the help of a diagram and a table the relation between average propensity to consume and marginal propensity to consume. 2+8=10

Or

Explain the Keynesian theory of absolute income hypothesis. 10

UNIT—IV

4. Explain the concept of investment multiplier. Does the multiplier work effectively in an underdeveloped country like India? Give reasons for your answer. 7+3=10

Or

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

G16/43a

(Continued)

(3)

UNIT—V

5. Discuss the classical theory of interest. 10

Or

State and explain Keynes' liquidity preference theory of interest. Illustrate it diagrammatically. 10

G16—1700/43a

III/ECO (iii)

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ECONOMICS

THIRD PAPER

(Macroeconomics—I)

(PART : A—OBJECTIVE)

(Marks : 25)

The figures in the margin indicate full marks for the questions

SECTION—A

(Marks : 10)

Tick the correct answer in the box provided : $1 \times 10 = 10$

1. Transfer payment refers to payments which are made

- (a) to workers on transfer from one job to another
- (b) as compensation to employees
- (c) without any exchange of goods and services

2. Per capita income is calculated by
- (a) dividing the number of population by the national income
- (b) dividing the national income by the number of population
- (c) multiplying national income and the number of population

3. The classical theory of employment is based on one of the assumptions of

- (a) a closed laissez-faire capitalist economy with foreign trade
- (b) a closed laissez-faire capitalist economy without foreign trade
- (c) None of the above

4. Aggregate demand function is governed by consumption and

- (a) rate of interest
- (b) investment
- (c) money supply

5. Marginal propensity to save (MPS) is denoted by

- (a) $\frac{\Delta Y}{\Delta C}$
- (b) $\frac{\Delta C}{\Delta Y}$
- (c) $\frac{\Delta S}{\Delta Y}$

6. What is the average propensity to consume, if aggregate consumption is ₹ 470 crore and aggregate income is ₹ 500 crore?

- (a) .95
- (b) .98
- (c) .94

7. Induced investment

- (a) depends on profit or income
- (b) is independent of the level of income and profit
- (c) depends on growth of population, innovations, inventions, researches, etc.

8. What is the investment multiplier, if MPC is 75% or 3/4?

(a) 4

(b) 3

(c) 2

9. According to the neo-classical theory of interest, 'supply of loanable funds' includes

(a) only savings

(b) only savings and bank credit

(c) not only savings, but also bank credit, dishoarding and disinvestment

10. Which of the following motives of liquidity preference is interest related?

(a) Transactions

(b) Precautionary

(c) Speculative

SECTION—B
(Marks : 15)

3×5=15

Answer/Write short notes on the following :

1. What is Green Accounting?

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2. Point out two differences between classical theory of employment and the Keynesian theory of employment.

3. Marginal efficiency of capital

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4. Distinguish between autonomous and induced investments.

5. Gross and net interests

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