

B.A. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2014**Fifth Semester****B.A. Economics****Core Course—PRINCIPLES OF MACROECONOMICS**

Time : Three Hours

Maximum Weight : 25

*Answers may be written either in English or in Malayalam.***Part A***All questions in each bunch are compulsory.**Each carries weight 1.***Bunch I**

1. Who wrote "A Tract on Monetary Reform" ?
 - (a) Keynes.
 - (b) Pigou.
 - (c) Robertson.
 - (d) Friedman.
2. Who re-stated the Quantity Theory of Money ?
 - (a) Keynes.
 - (b) Pigou.
 - (c) Robertson.
 - (d) Friedman.
3. If MPC = 0.8, then value of multiplier is :
 - (a) 10.
 - (b) 5.
 - (c) 100.
 - (d) 50.
4. In the consumption function equation $C = a + b Y$, $a = 100$, $b = 0.5$. When Y increases from 100 to 200, MPC will be :
 - (a) 0.10.
 - (b) 0.80.
 - (c) 0.50.
 - (d) None of these.

Bunch II

5. In the following, who is a macroeconomist ?
 - (a) Marshall.
 - (b) Stigler.
 - (c) Chamberlin.
 - (d) Mankiw.

Turn over

6. $MV = PT$, therefore $P =$
- (a) T/MV . (b) MV/T .
 (c) $MV \times T$. (d) $MV/T \times$ Rate of inflation.
7. Autonomous investment is independent of :
- (a) Price. (b) Inventory.
 (c) Income. (d) Profit.
8. To find GNP at constant prices, we select a year in which _____ remained stable.
- (a) Profits. (b) Investment.
 (c) Prices. (d) Income.

Bunch III

9. When $MPS = MPC$, value of the multiplier will be ?
- (a) 0. (b) 1.
 (c) 2. (d) None of these.
10. In an open economy, $Y =$
- (a) $C + I$. (b) $C + I + G$.
 (c) $C + I + G + X$. (d) None of these.
11. John Maynard Keynes was a _____ economist :
- (a) American. (b) Swedish.
 (c) British. (d) French.
12. Investment multiplier is given by the formula :
- (a) $1/MPC$. (b) $1/MPS$.
 (c) $1/1-MPS$. (d) $1/1 + MPC$.

Bunch IV

13. Keynesian demand for money function gives importance to :
- (a) Speculative demand. (b) Transaction demand.
 (c) Precautionary demand. (d) Income demand.
14. In classical theory, wages and prices are :
- (a) Rigid. (b) Constant.
 (c) Flexible. (d) Inflexible.

15. Classical economists focussed _____ of money :
- (a) Medium of exchange. (b) Measure of value.
 (c) Store of value. (d) Standard of deferred payments.
16. GNP at MP – Income from abroad =
- (a) GDP at MP. (b) GDP at FC.
 (c) NNP at MP. (d) NDP at FC.

(4 × 1 = 4)

Part B (Short Answers)

*Write a paragraph (not exceeding 50 words)
 on any five of the following questions.*

Each question carries 1 weight.

17. What is balanced budget multiplier ?
18. Define liquidity trap.
19. What is Pigou effect ?
20. What are the determinants of investment ?
21. Distinguish between microeconomics and macroeconomics.
22. What is potential GNP ?
23. Define paradox of thrift.
24. What is classical dichotomy ?

(5 × 1 = 5)

Part C (Short Essays / Problem Solving)

*Write short essays not exceeding 150 words
 or give numerical or algebraic illustrations on
 any four of the following questions.*

Each question carries 2 weight.

25. Explain algebraically income determination process if $C = 100 + 0.8 Y$, $I = 120$, $G = 50$, $X = 40$ and $M = 30$. What will happen to equilibrium income if $G = 100$?
26. Estimate value added if :
- A sells raw materials costing Rs. 1,200 to B.
 B sells intermediate goods costing Rs. 1,450 to C and C sells final goods worth of Rs. 2,500 to consumers ? Define value addition.

Turn over

27. What are the determinants of consumption expenditure ?
28. Explain cash balance approach.
29. Summarize classical model.
30. Find GDP at Factor cost from the following data :

C = Rs. 12,000, I = Rs. 1,800, G = Rs. 2,500, I = Rs. 1,500, X = Rs. 1,200, Indirect Tax = Rs. 900 and subsidies = Rs. 800.

(4 × 2 = 8)

Part D

Write essays not exceeding 300 words on any two of the following.

Each question carries 4 weight.

31. Explain with diagrams and equations the Keynesian cross analysis in a 2 sector economy.
32. Account for the various national income concepts and describe the difficulties in the estimation of national income in India.
33. "Quantity theory of money is inconsistent with Say's Law". Do you agree ?

(2 × 4 = 8)