Q.P Code: 22084

[Time: 3 Hours] **[Total Marks: 100]**

NB:

1. All questions are compulsory.
2. All questions carry equal marks.
3. Use of simple calculator is allowed.
4. Draw neat diagrams wherever necessary.

Q1. a) Explain the following terms (Any 5) **(10)**

i. Gross National product.
ii. Peak of a business cycle.
iii. Aggregate supply price
iv. Marginal efficiency of capital.
v. LM curve.
vi. Laffer curve.
vii. Narrow money
viii. Demand pull inflation.

b) Choose the correct option and rewrite the statements. **(10)**

i. The following is not the subject matter of macro economics
a) National income accounting b) Law of demand and supply
c) Business cycle d) General price level

ii. Which of the following is the sum of all income actually received by the people in the country ?
a) Personal income b) National income
c) Gross Domestic Product d) Gross National Income

iii. According to Keynes', in order to increase employment we have to increase aggregate
a) supply b) output
c) demand d) investment

iv. Investment will be in equilibrium when _______ become equal to the given current rate of interest.
a) Marginal Efficiency of Capital b) Profits
c) Savings d) None of the above

v. Investment multiplier is _______ MPS
a) directly related to b) a reciprocal of
c) not related to d) equal to

vi. Which of the following will cause the LM curve to shift to the right ?
a) Increase in money supply b) Decrease in money supply
c) An increase in the rate of interest d) Decrease in government expenditure.

vii. Supply side economics aims at increasing income by
a) reducing taxes b) reducing prices
c) increasing government's expenditure d) decreasing government expenditure

viii. The value of money multiplier is determined by
a) currency deposit ratio and time deposit b) Currency deposit ratio
c) Currency deposit ratio and reserve ratio d) None of the above

ix. According to the Fisher equation of exchange, an increase in the money supply is most likely to lead to inflation if,
a) The velocity of circulation decreases b) The number of transactions decreases
c) There is deflation d) The velocity of circulation and the number of transactions is constant