

Q.P. Code: 23405**[Time: 2.30 Hours]****[Marks:75]**

Please check whether you have got the right question paper.

- N.B:
1. Attempt all questions.
 2. All questions carry equal marks

- Q.1 Answer any two** **15**
- a) Explain the concept of circular flow of income and expenditure in a three – sector economy.
 - b) Discuss the various factors affecting consumption function.
 - c) Explain concept of multiplier and bring out various leakages of the multiplier.
- Q.2 Answer any two** **15**
- a) Explain the Keynesian approach to demand for money.
 - b) Explain the effects of inflation.
 - c) Explain the objectives of monetary policy.
- Q.3 Answer any two** **15**
- a) Explain the principle of sound finances.
 - b) Explain the burden of internal public debt.
 - c) Discuss the limitations of the FRBM Act,2003.
- Q.4 Answer any two** **15**
- a) Evaluate Ricardian Theory of comparative cost.
 - b) Discuss the arguments for free trade.
 - c) Explain measures to control deficit in the balance of payments.
- Q.5 A) Conceptual question (any four out of six)** **8**
- 1) National income
 - 2) Money supply
 - 3) Public expenditure
 - 4) Public debt
 - 5) Currency devaluation
 - 6) Quota
- Q.5 B) Multiple choice question (any seven)** **7**
- 1) In a circular flow economy firms supply-----
 - a) Labour
 - b) Goods and services
 - c) Land
 - d) None of the above
 - 2) The ----- theory attributes business cycles to changes in marginal efficiency of capital
 - a) Monetary
 - b) Multiplier – accelerator
 - c) Real business
 - d) Investment

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- 3) Demand for transaction and precautionary motive is interest-----
 - a) Elastic
 - b) Unit elastic
 - c) Inelastic
 - d) None of the above
- 4) Which of the following is not a direct cause of demand – pull inflation-----
 - a) Deficit financing
 - b) Credit creation
 - c) Raw materials
 - d) Black money
- 5) External debt implies borrowing from-----
 - a) Individuals
 - b) Firms
 - c) Foreign countries
 - d) None of the above
- 6) Ricardian theory measures comparative cost in terms of-----
 - a) Money
 - b) Labour days
 - c) Cost of all inputs
 - d) None of the above
- 7) Expenditure switching policies used to correct deficit in the balance of payments----
 - a) Devaluation
 - b) Revaluation
 - c) Appreciation
 - d) All of the above
- 8) Which of the following is not true of prosperity? ----
 - a) It begins at peak
 - b) Bank credit grows rapidly
 - c) Idle funds are channelized into productive area
 - d) Comes to an end at peak
- 9) Inflation is beneficial to -----
 - a) Fixed income group
 - b) Business people
 - c) Creditors
 - d) None of the above
- 10) Income terms of trade tells increased capacity to ----
 - a) Export
 - b) Import
 - c) Investment
 - d) None of the above
