

**2 0 2 4**

( FYUGP )

( 2nd Semester )

**ECONOMICS**

( Minor )

Paper Code : EC2.M2

**( Introductory Macroeconomics )**

*Full Marks : 75*

*Pass Marks : 40%*

*Time : 3 hours*

( PART : B—DESCRIPTIVE )

( Marks : 50 )

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

Answer **five** questions, taking **one** from each Unit

UNIT—I

1. Explain briefly the methods of measuring national income. State the difficulties in measuring national income. 6+4=10

2. Explain with diagram the two-sector circular flow of income model. What are leakages and injections in the context of the model? 6+4=10

UNIT—II

3. Explain Say's law of market with its criticisms. 10
4. What is effective demand? Discuss the determination process of equilibrium level of employment through effective demand. 2+8=10

UNIT—III

5. Define money. Elaborate the functions of money. 2+8=10
6. Elaborate the process of credit creation by commercial banks. State the potential consequences of excessive credit creation. 8+2=10

UNIT—IV

7. Explain the effects of inflation. 10
8. What are the causes of inflation? Discuss the measures to control inflation. 4+6=10

UNIT—V

9. Define BOP. Explain the components of BOP. 2+8=10
10. Explain in detail the adjustment mechanisms of balance of payments. 10

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( PART : A—OBJECTIVE )

( Marks : 25 )

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

**A.** Choose the correct answer and put a Tick (✓) mark against the brackets provided : 1×15=15

1. Mixed income of the self-employed means

- (a) gross profits received by proprietors ( )
- (b) rent, interest and profit of an enterprise ( )
- (c) combined factor payments which are not distinguishable ( )
- (d) wages due to family workers ( )

2. NNP at factor cost is

- (a) equal to national income ( )
- (b) more than national income ( )
- (c) less than national income ( )
- (d) always more than GNP ( )

3. In the circular flow model of income, households are

- (a) buyers of goods and services ( )
- (b) sellers of factors of production ( )
- (c) Both (a) and (b) ( )
- (d) None of the above ( )

4. Say's law implies that an increase in production will

- (a) lead to a decrease in demand ( )
- (b) result in excess supply ( )
- (c) cause inflation ( )
- (d) generate income, which will create its own demand ( )

5. In the Keynesian model, the consumption function describes the relationship between

- (a) disposable income and savings ( )
- (b) investment and government spending ( )
- (c) consumption and savings ( )
- (d) disposable income and consumption expenditure ( )

6. Which of the following is not a component of aggregate demand?

- (a) Producer surplus ( )
- (b) Consumption ( )
- (c) Investment ( )
- (d) Government spending ( )

7. The volume of K in Cambridge equation depends on

- (a) money supply ( )
- (b) real national income ( )
- (c) velocity of circulation ( )
- (d) interest rate ( )

8. Money supply means

- (a) currency ( )
- (b) cash balances held by the government and the banks ( )
- (c) total stock of money in circulation at any moment ( )
- (d) currency notes in circulation ( )

9. What role do reserve requirements play in credit creation?

- (a) They limit credit creation ( )
- (b) They encourage credit creation ( )
- (c) They have no impact ( )
- (d) They facilitate credit creation ( )

10. The concept of inflationary gap was given by

- (a) Wicksell ( )
- (b) Keynes ( )
- (c) Milton Friedman ( )
- (d) A. W. Phillips ( )

11. What impact does deflation have on wages?

- (a) Wages decrease due to lower demand for labour ( )
- (b) Wages increase due to higher productivity ( )
- (c) Wages remain same ( )
- (d) Wages fluctuate randomly ( )

12. The primary cause of hyperinflation is

- (a) tight monetary policy ( )
- (b) increase in productivity ( )
- (c) decline in aggregate demand ( )
- (d) excessive money supply growth ( )

13. Which of the following is not included in the Current Account of balance of payments?

- (a) Merchandise ( )
- (b) Travel and transportation ( )
- (c) Transfer payments ( )
- (d) Foreign investment ( )



14. Which of the following is a debit item in balance of payments?

(a) Import of goods ( )

(b) Income from investment abroad ( )

(c) Receipts from transfer payments ( )

(d) Export of services ( )

15. Which of the following measures will be adopted to remove disequilibrium in BOP?

(a) Increase in exchange rate ( )

(b) Devaluation ( )

(c) Inflation ( )

(d) Restriction on exports ( )

( 7 )

B. Write short notes on any *five* of the following :  $2 \times 5 = 10$

1. Macroeconomics

2. Money supply

3. Inflation

4. Inflation vs. Deflation

5. Quantity theory of money

6. Difference between BOP and BOT

7. Inflationary gap

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