

2019

(4th Semester)

ECONOMICS

Paper : Eco-401

(Macroeconomics—II)

Full Marks : 70

Pass Marks : 45%

Time : 3 hours

(PART : B—DESCRIPTIVE)

(Marks : 45)

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

1. Define Money. Discuss the functions of money. 2+7=9

Or

Critically examine the Fisher's equation of exchange. 9

2. Define a bank. Discuss the functions of commercial banks. 1+8=9

Or

Explain how a central bank can control credit through bank rate and open market operation.

9

3. What is money supply? Describe the various components of money supply. 2+7=9

Or

Describe the measures of money supply used by Reserve Bank of India.

9

4. Define inflation. What are the various types of inflation? 2+7=9

Or

Explain the effects of inflation on production and distribution.

$4\frac{1}{2}+4\frac{1}{2}=9$

5. What is business cycle? Explain how business cycles can be controlled. 2+7=9

Or

Critically discuss Hicks' theory of trade cycle. 9

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ECONOMICS

Paper : Eco-401

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(PART : A—OBJECTIVE)

(Marks : 25)

The figures in the margin indicate full marks for the questions

SECTION—I

(Marks : 15)

A. Put a Tick (✓) mark against the correct answer in the brackets provided : 1×10=10

1. In the Fisherian equation, value of money is determined by

- (a) supply of money ()
- (b) demand for money ()
- (c) demand for and supply of money ()
- (d) quantity of money ()

2. Which one of the following is a primary function of money?
- (a) Measure of value ()
 - (b) Store of value ()
 - (c) Transfer of value ()
 - (d) Standard of deferred payment ()
3. Which of the following is not a quantitative method of credit control?
- (a) Open market operation ()
 - (b) Bank rate ()
 - (c) Regulation of consumer credit ()
 - (d) Variable cash reserve ratio ()
4. Money supply means
- (a) currency ()
 - (b) currency notes in circulation ()
 - (c) cash balances held by the Government and the banks ()
 - (d) total stock of money in circulation at any moment ()

5. An increase in the money supply would lead to which of the following?

- (a) Higher interest rate ()
- (b) Lower interest rate ()
- (c) A recession ()
- (d) Higher Government spending ()

6. Which of the following functions is performed by a Central Bank?

- (a) Credit creation ()
- (b) Discounting of bills ()
- (c) Ownership of commercial banks ()
- (d) Custodian of cash reserves of banks ()

7. The concept of inflationary gap was given by

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

8. During inflation, the wage and salary earners are
- (a) gainers ()
 - (b) losers ()
 - (c) not affected ()
 - (d) None of the above ()
9. The monetary theory of trade cycle is associated with the name of
- (a) J. M. Keynes ()
 - (b) A. C. Pigou ()
 - (c) R. G. Hawtrey ()
 - (d) J. Schumpeter ()
10. During the upward phase of a trade cycle, the central bank will
- (a) increase the cash reserve ratio ()
 - (b) increase the bank rate ()
 - (c) lower down the cash reserve ratio ()
 - (d) lower interest rate ()

B. Indicate *True (T)* or *False (F)* by a Tick (✓) mark :

1×5=5

1. Value of money is inversely related to the price level.

(T / F)

2. Commercial banks are the custodians of foreign reserves.

(T / F)

3. Broad money is high-powered money.

(T / F)

4. Business cycles operate periodically at regular intervals of 10 to 12 years.

(T / F)

5. During inflation, debtors are generally the gainers.

(T / F)

(6)

SECTION—II

(Marks : 10)

C. Write/Answer briefly on any *five* of the following :

2×5=10

1. Importance of money in modern economy

2. Explain Central Bank's function as a banker to the Government.

3. What is high-powered money?

4. What is galloping or hyperinflation?

5. What are the different phases of a trade cycle?

6

6. Distinguish between Inflation and Deflation.

7. Concept of accelerator
