

Time: 2½ hrs.

Marks:75

Note:

1. All questions are compulsory with internal options.
2. The figures to the right indicate full marks.
3. Draw a neat diagram wherever necessary.

- Q. 1 (A) Fill in the blanks with the correct answer from the alternatives given below. (Attempt any 8) (08)**
- (1) Inflation is a state in which the value of the money is.....  
 (a) Constant (b) Falling  
 (c) Rising (d) None of the above
  - (2) Terms of trade are favourable, if the current index in comparison to the base year index is.....  
 (a) Less (b) Same  
 (c) More (d) None of the above
  - (3) During ..... consumer purchases decline slowly.  
 (a) Recession (b) Prosperity  
 (c) Recovery (d) All of the above
  - (4) Cyclical fluctuations are..... In nature.  
 (a) Short term (b) Rare  
 (c) Long term (d) Recurrent
  - (5) Macroeconomics is derived from the Greek word.....  
 (a) Macro (b) Makros  
 (c) Micro (d) Mikros
  - (6) Which of the following measurements indicate how national income is distributed?  
 (a) NNP (b) GNP  
 (c) Per capita income (d) GDP
  - (7) ..... is the leakage in the circular flow of income.  
 (a) Saving (b) Export Earning  
 (c) Expenditure (d) Government Purchase
  - (8) The objective of monetary policy is to reduce \_\_\_\_\_ of income and wealth.  
 (a) Stability (b) Inequality  
 (c) Growth (d) Equalities
  - (9) The marginal efficiency of capital is ordinarily called \_\_\_\_\_.  
 (a) Expected rate of interest (b) Actual profit  
 (c) Expected rate of profit (d) None of the option
  - (10) FRBM Act has ..... major objectives.  
 (a) 7 (b) 5  
 (c) 4 (d) 3

- (B) State whether the following statements are True or False. (Attempt any 7) (07)**
- (1) Foreign capital helps us to promote economic development
  - (2) Saving is injection in circular flow of income model.
  - (3) Inflation is a state in which the value of money is falling
  - (4) In an Closed economy,  $GDP = C + I + G + (X - M)$ .
  - (5) Hedgers enter into forward exchange market to cover the risk.
  - (6) Keynes multiplier is a dynamic concept.
  - (7) MEC curve is downward slopping.

- (8) Bank rate is the interest charged by the central bank.
- (9) Fiscal policy is the use of government spending and taxation to influence the economy.
- (10) During inflation business are in beneficial position.

- Q.2** (a) Describe the phases of Trade cycle in detail. (08)  
 (b) Explain the three sector Economy with diagrammatic representation. (07)

**OR**

- Q.2** (p) What is effective demand? Show that by explaining Aggregate demand and Aggregate supply curves. (08)  
 (q) Write down all the factors affecting Consumption functions. (07)

- Q.3** (a) Define Inflation and explain the causes of inflation. (15)

**OR**

- Q.3** (p) Explain the Keynesian approach demand for money in detail. (08)  
 (q) Explain Fisher's Equation of exchange in detail. (07)

- Q.4** (a) Explain the canons of taxation in detail. (08)  
 (b) Explain the types of public debt. (07)

**OR**

- Q.4** (p) Explain the principle of sound finance. (08)  
 (q) Explain the features of federal responsibility and budget management act (FRBM Act), 2003. (07)

- Q.5** (a) Evaluate Ricardian theory of comparative cost. (08)  
 (b) Discuss the arguments for free trade. (07)

**OR**

- Q.5** (p) Write short notes on ( Attempt any 3) (15)  
 (1) Marginal efficiency of capital  
 (2) Fiscal policy  
 (3) Public Goods  
 (4) Foreign direct investment  
 (5) Disequilibrium in BOP

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