

MA ECONOMICS  
FIRST SEMESTER  
MACRO ECONOMICS ANALYSIS-I  
MEC - 102

**SET  
A**

[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs.

Full Marks: 70

Time: 30 mins.

**(Objective)**

Marks: 20

Choose the correct answer from the following:

1 × 20 = 20

1. Who is considered as father of modern Macroeconomics?
  - a. Adam Smith
  - b. John Maynard Keynes
  - c. F. Hayek
  - d. Samuelson
  
2. Supply of money is a
  - a. Flow concept
  - b. Stock concept
  - c. Derived concept
  - d. None of the above
  
3. Consider the following statements:  
In a Capitalist economy there is private ownership of means of production.  
In a communist nation, the means of production are owned by the State  
In a free-market economy there is minimum role of the Government  
Which of the above 3 statement is/are true?
  - a. Only 1 and 3
  - b. Only 2 and 3
  - c. Only 3
  - d. All are true
  
4. What are Capital goods?
  - a. Goods used for consumption in the production process
  - b. Goods such as tools, machinery, etc which are used to create final consumer goods
  - c. Goods and services that are consumed fully when purchased by the consumers
  - d. None of the above
  
5. What does the term Gross investment mean while denoting a nation's economy?
  - a. Gross investment = Net investment + Depreciation
  - b. Gross investment = Net investment - Depreciation
  - c. Gross investment = Depreciation - Net investment
  - d. None of the above
  
6. What is the sum total of gross value added of all the firms in the country?
  - a. Gross Domestic Product
  - b. Gross National Product
  - c. Net Domestic Product
  - d. Net National product

7. What is the correct formula for GDP Deflator?
  - a. Nominal GDP - (minus) Real GDP
  - b. Nominal GDP + Real GDP
  - c. Nominal GDP/ Real GDP X 100
  - d. Real GDP/ Nominal GDP
8. Which Indian city is known as its trade and financial capital?
  - a. Mumbai
  - b. Delhi
  - c. Bangalore
  - d. Gurgaon
9. Laissez-faire economics refers to:
  - a. a term denoting economic transactions carried out by the State/government
  - b. economic transactions in private parties where there is no intervention by the State/government
  - c. a branch of socialism focusing on welfare economics
  - d. None of the above
10. Which among the following is considered to be the most liquid asset?
  - a. Gold
  - b. Money
  - c. Land
  - d. Treasury bonds
11. In the terminology of economics and money demand, the terms M1 and M2 are also known as :
  - a. Short money
  - b. Long money
  - c. Broad money
  - d. Narrow money
12. What is the reserve deposit ration (rdr)?
  - a. the proportion of money RBI lends to commercial banks
  - b. the proportion of total deposits commercial banks keep as reserves
  - c. the total proportion of money that commercial banks lend to the customers
  - d. none of the above
13. In monetary terminology, what is called the 'monetary base' or 'high powered money'?
  - a. the total assets of RBI
  - b. the total liability of RBI
  - c. the total debt of the government
  - d. the total foreign exchange of RBI
14. By increasing the 'Bank Rate', the RBI can:
  - a. provide incentives to commercial banks to lend more to public
  - b. provide incentives to commercial banks to lend less to public
  - c. increase the money supply in the market
  - d. none of the above
15. The "planned" value of the variables like consumption, investment, output, etc, is known as:
  - a. ex post measures
  - b. ex ante measures
  - c. ex pre measures
  - d. none of the above



16. What is "MPS" or the 'marginal propensity to save'?
- a. the proportion of total additional planned savings to total additional income
  - b. the proportion of total additional income to total additional planned savings
  - c. the fraction of total additional income that is used for consumption
  - d. none of the above
17. According to the effective demand principle:
- a. at a certain price, the output shall not be determined by any known factor
  - b. at a certain price, the output will remain unaffected by rise or fall in demand
  - c. at a certain price, equilibrium output will be solely determined by the aggregate demand
  - d. none of the above
18. Depression is characterized by
- a. unprecedented level of underemployment
  - b. Drastic fall in income
  - c. Drastic fall in output and employment
  - d. All the above
19. The liquidity trap occurs when the demand for money:
- a. Is perfectly interest elastic
  - b. Is perfectly interest inelastic
  - c. Means that an increase in money supply leads to a fall in the interest rate
  - d. Means that an increase in the money supply leads to an increase in the interest rate
20. 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

**( Descriptive )**

Time : 2 Hr. 30 Mins.

Marks : 50

[ Answer question no.1 & any four (4) from the rest ]

1. What is LM curve? Explain how to draw LM curve. 4+6=10
2. a) What are the scope and importance of Macro economics? 4+6=10  
b) Explain four sector model of circular flow of income.
3. a) Elaborate three approaches to measure national income. 6+4=10  
b) Are national income and welfare go together? Give arguments.
4. a) Explain the various components of money supply 4+6=10  
b) Critically examine the relative income hypothesis.
5. a) Elaborate the Life cycle hypothesis with its assumptions. 6+4=10  
b) Write a note on the concept of Liquidity Trap.
6. a) What are the main determinants of level of investment in the economy? 6+4=10  
b) Explain the operation of investment multiplier.
7. a) What are the main determinants of money supply? 4+6=10  
b) Explain the relationship between High-Powered money and Money multiplier.6
8. a) What is demand for money? Distinguish between transaction demand for money and speculative demand for money. 2+4+4=10  
b) Explain Keynes liquidity approach to demand for money

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