

[Time: 2.30 Hours]

(Total Marks:75)

- N.B: 1. All questions are compulsory.
 2. Figures to the right indicate full marks.
 3. Draw neat diagram wherever necessary.
 4. Attempt all questions.

Q1. (a) State whether the following statements are **True/ False (Any Eight)** (8)

- i) Trade cycles are recurrent in nature.
- ii) Open economy is the one in which there are no exports and imports.
- iii) Deflation is worse than inflation.
- iv) Objectives of monetary policy are conflicting in nature.
- v) Service tax is an indirect tax.
- vi) Fiscal policy is formulated by central bank.
- vii) Modern theory begins where the Ricardian theory ends.
- viii) Spot exchange rate refers to the rate at which the transaction takes place at a future date.
- ix) When the payments are more than receipts, then there is said to be a surplus in the balance of payment.
- x) Protection is required to protect infant industries.

b) Match the following pairs (Any seven) (7)

Group A	Group B
1) GNP	a) Future date.
2) Value of MPC	b) borrowing of the Government
3) Cash transaction approach	c) Irving Fisher.
4) Quantitative Credit control	d) GDP+ Income from abroad
5) Public Debt	e) lies between zero and one
6) FRBM Act	f) Bank rate
7) Forward exchange rate	g) no restriction on trade
8) Trade deficit	h)2003 .
9) Heckscher-Ohlin Theory	i) Export minus Import of visible items
10) Free trade policy	h) Factor endowment theory

Q.2 a) Define macroeconomics. What are the importance of macroeconomics? (8)

b) Explain the factors determining consumption function. (7)

OR

c) Explain effective demand with the help of the diagram. (8)

d) Discuss Trade cycle in detail. (7)

Q.3 a) Describe the factors affecting velocity of circulation of money. (8)

b) Discuss the nature of Inflation in a developing country. (7)

OR

c) What is monetary policy? Discuss the objectives of monetary policy. (8)

d) What is money supply? Explain the factors determining money supply. (7)

Q.4 a) What are the factors influencing Incidence of taxation? (8)

b) Enumerate the significance of public expenditure. (7)

OR

c) Explain the principles of sound and functional finance. (8)

d) Explain the burden of Public debt. (7)

Q.5 a) What are terms of trade? Explain the factors determining terms of trade. (8)

b) Explain the Heckscher – Ohlin theory of international trade. (7)

OR

c) Discuss in detail foreign direct investment and foreign portfolio investment. (8)

d) Explain the structure of balance of payment. (7)

Q.5 Write short notes (on any three): (15)

a) Relationship between National income and economic welfare.

b) Fisher's equation of exchange.

c) Fiscal policy.

d) Role of Multinational Corporation.

e) Free trade versus Protection.
