

[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) Macroeconomics deals with economic growth and development.
- ii) An open economy is one which has no foreign trade.
- iii) Accordingly to J.M. Keynes, demand for money is influenced by liquidity preference.
- iv) Inflation is a state in which the prices are decreasing.
- v) The fiscal policy is concerned with government expenditure and government revenue.
- vi) The government of India always has a surplus budget.
- vii) Forward exchange rate refers to the rate at which the transaction takes place at a future date.
- viii) Balance of payment is said to be in balance when receipts are equal to payments.
- ix) Multinational Corporation have their head office in foreign countries while having offices or factories in their home country.
- x) Comparative cost advantage theory has no limitations.

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

Group A	Group B
1) Consumption function	a) Cambridge economists
2) Trade cycle	b) Central bank
3) Cash balance approach	c) Wave like movement
4) Monetary policy	d) Propensity to consume
5) Union budget	e) Comparative cost advantage theory
6) Public expenditure	f) Transfer of new technology
7) Arbitrage	g) Trade barrier
8) Tariffs	h) Buying and selling of foreign currency in different markets
9) Multinational corporation	i) Government expenditure
10) David Ricardo	j) Finance Minister

Q.2 a) Explain the circular flow of income for open economy four sector model with the help of diagram. (8)

b) What is National income? Explain the importance of National income. (7)

OR

c) Define effective demand. How is it determined? (8)

d) Explain the relationship between change in investment and change in income with the help of multiplier theory. (7)

Q.3 a) Discuss the effects of inflation (8)

b) Explain Monetary policy? What are the instruments of monetary policy? (7)

OR

c) Discuss the factor influencing Velocity of circulation of money. (8)

d) Explain the liquidity preference theory of Interest. (7)

Q.4 a) What is Fiscal Policy? What are the objectives of Fiscal Policy? (8)

b) Enumerate the canon of taxation. (7)

OR

c) What is Public expenditure? Explain the significance. (8)

d) Explain FRBM Act in detail. (7)

Q.5 a) What are the merits and demerits of Flexible exchange rate? (8)

b) What are the measures to correct disequilibrium in balance of payment? (7)

OR

c) Discuss the different gains from International Trade. (8)

d) Enumerate the arguments in favour of protectionism in International trade. (7)

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

a) Trade cycle.

b) Cash transaction approach.

c) Role of Government in providing public goods.

d) Hedging, Speculation and Arbitrage.

e) Foreign portfolio Investment and Foreign direct investment.