

[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)

1. National Income is the most reliable index of economic welfare.
2. Consumption varies at the same rate as the change in income.
3. According to Keynes, speculative demand for money is independent of interest rate.
4. Equity investors generally gain during inflation.
5. Deficit financing as a form of public borrowing is highly inflationary.
6. Canon of diversity implies that there should be multiple tax system of diverse nature.
7. Capital rich countries will export capital-intensive goods.
8. Balance of Payments always balances in the accounting sense.
9. Flexible exchange rate is determined by the Government.
10. FDI establishes a controlling interest in a foreign based company.

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

| Group A | Group B |
|-----------------------------------|--|
| 1) Open economy | a) 2015 |
| 2) Marginal efficiency of capital | b) Govt. expenditure > Govt. revenue |
| 3) Md = KPY | c) Ratio of export price to import price |
| 4) Inflation targeting | d) expected rate of profit |
| 5) Deficit budget | e) Argument in support of protected trade |
| 6) Sales Tax | f) Foreign trade |
| 7) Net barter terms of trade | g) Forward rate > Spot rate |
| 8) Infant industry | h) Official reduction in value of currency |
| 9) Devaluation | i) cash balance approach |
| 10) Premium | j) Indirect tax |

Q.2 a) What are Trade cycles? Discuss its features. (8)

b) Explain the Keynesian Principle of Effective Demand. (7)

OR

c) Explain the leakages and injections in the circular flow of income in a four sector model. (8)

d) What is multiplier theory? Explain its working. (7)

Q.3 a) Discuss the factors affecting money supply. (8)

b) What do you understand by 'inflation targeting'? (7)

OR

c) Explain the effects of inflation. (8)

d) Which instruments can be used to implement monetary policy? Explain. (7)

Q.4 a) Explain the objectives of fiscal policy. (8)

b) What is the effect of taxation on consumption and saving? (7)

OR

c) What do you understand by 'contracyclical and discretionary' fiscal policy? (8)

d) What are the objectives of Fiscal Responsibility and Budget Management Act? (7)

Q.5a) Discuss the structure of Balance of Payments. (8)

b) What is flexible exchange rate system? Explain its merits. (7)

OR

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

a) Significance of macro-economics

b) Fischer's equation of exchange

c) Functional finance

d) Spot and Forward rate of exchange

e) Role of MNCs