

3 (Sem-1) ECO M 2

Bijni College Library
P.O.-Bijni, Dist.-Chirang
(B.T.A.D) Assam

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ECONOMICS

(Major)

Paper : 1.2

(**Macroeconomics—I**)

Full Marks : 80

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

1. Answer the following questions : 1×10=10
- (a) Define national income.
 - (b) What is aggregate demand function?
 - (c) What are the major components of GDP?
 - (d) Define the concept of 'value added'.
 - (e) How do you define MPC?
 - (f) What is accelerator?
 - (g) What is the shape of MEC curve?

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(h) Mention two technical attributes of the consumption function.

(i) Define the term 'capital accumulation'.

(j) What is autonomous investment?

2. Answer the following questions : 2×5=10

(a) Distinguish between Personal Income and Personal Disposable Income.

(b) Give the meaning of the term 'full employment'.

(c) Give two criticisms against the Say's law of market.

(d) What are the two main flows in an economy?

(e) What is consumption function puzzle?

3. Answer any four of the following questions : 5×4=20

(a) If the consumption expenditure is Rs 460 crore, investment is Rs 1.7 crore, government purchases are Rs 2.4 crore, export is Rs 5.1 crore and the import is Rs 4.4 crore, what will be the value of Gross National Product?

(b) Why is GDP not a useful measure of welfare?

- (c) Distinguish between APC and MPC.
- (d) Write a short note on marginal efficiency of investment.
- (e) What happens to equilibrium GDP when aggregate expenditure of the economy increases?

- (f) From the following data, calculate the equilibrium GDP for an economy :

Consumption Function (C) = Rs 150 + 0.7 Y

Autonomous Investment (I₀) = Rs 200 crore

Government Expenditure (G₀) = Rs 250 crore

4. Answer any *four* of the following questions :

10×4=40

- (a) Explain the value added approach for measuring national income. Mention the limitations of this approach. 8+2=10

- (b) "The equilibrium level of income is determined at the intersection of the aggregate expenditure curve and the 45° line." Explain with the help of a diagram. 10

- (c) What is investment multiplier? What is the relationship between the multiplier and the marginal propensity to consume? What would be the multiplier if the MPC is 0.75? 4+4+2=10

- (d) What is consumption function? Discuss the factors which affect consumption function. 2+8=10
- (e) Diagrammatically explain the Keynesian consumption function $C = a + bY$. How do MPC and APC change with the increase in income in this consumption function? 7+3=10
- (f) Explain the concept of 'marginal efficiency of capital'. How does investment get determined by it? 3+7=10
- (g) What do you understand by the circular flow of income? Explain with the help of two-sector model. 2+8=10
- (h) State and explain the classical theory of employment. How did Keynes criticise the classical theory? 7+3=10
