1A

FIFTH SEMESTER BA DEGREE EXAMINATION, NOVEMBER 2022

(Supplementary – 2018 Admission)

ECONOMICS

AECO5B07T: MACROECONOMICS - 1

Time: 3 Hours   **Maximum Marks: 80**

PART A: Answer *all* the questions. Each carries ½ marks.

1. Ex- ante means.........................

    a. After the event   b. Before the event

    c. Both a and b   d. None of the above

2. A state within a market-based economy in which the economic forces of supply and demand are unbalanced.

    a. Break -even point   b. Equilibrium

    c. Disequilibrium   d. None of the above

3. The total value of finished goods and services produced by a country's citizens overseas and domestically, minus depreciation is called.................

    a. GNP   b. GDP   c. SDP   d. NNP

4. The value of the goods and services produced by an economy in a specific period, adjusted for inflation is known as...............................

    a. Nominal GDP   b. Real GDP   c. GNP deflator   d. None of the above

5. Fisher's equation of exchange represents

    a. Equality between the supply of money and the demand for money
    b. MV = PT
    c. Both a and b
    d. None of the above

6. The aggregate demand curve represents.........................

    a. The total quantity of all goods and services demanded by the economy at different price levels
    b. The relation between real production and the price level.
    c. Both a and b
    d. None of the above

7. People have a tendency to view their wealth and income in nominal terms, rather than recognize their real value, adjusted for inflation is called.......................

    a. Money neutrality   b. Classical dichotomy

    c. Money illusion   d. None of the above   **(PTO)**

8. Investment expenditure increases when either demand or income increases is known as................

    a. Multiplier   b. Accelerator

    c. Tax multiplier   d. None of the above

9. Voluntary unemployment is a situation in which................

    a. Someone chooses not to work at the prevailing wage

    b. When a person is unemployed despite being willing to work at the prevailing wage

    c. People are unemployed at particular times of the year when demand for labour is lower than usual

    d. None of the above

10. The ratio of total saving to total income is called.....................

    a. Marginal propensity of save   b. Average propensity to save

    c. Saving function   d. None of the above

11. Marginal efficiency of investment means................

    a. Expected rates of return on investment as additional units of investment are made under specified conditions and over a stated period of time

    b. Rate of discount which would equate the price of a fixed capital asset with its present discounted value of expected income

    c. Any increase in public or private investment spending has a more than proportionate positive impact on aggregate income and the general economy

    d. None of the above

12. An inflationary gap is ....

    a. The amount by which the actual gross domestic product exceeds potential full-employment GDP

    b. It is one type of output gap, the other being a recessionary gap

    c. Both a and b

    d. None of the above

(12 × ½ = 6 Marks)

PART B: Answer any *ten questions*. Each carries *2* marks

    13. Define exogenous variable.

    14. Distinguish between ex-ante and ex-post variable.

    15. Explain the difference between nominal and real GNP.

    16. Define full employment.

    17. Explain saving function.

    18. What do you mean by fiscal policy?

    19. Explain tax multiplier.

    20. Define MEI.

21. Explain consumption puzzle.

22. Define demonstration effect.

23. Define accelerator.

24. Explain aggregate supply curve.

(10 × 2 = 20 Marks)

PART C: Answer any *six* questions. Each carries 5 marks.

25. What are the conditions for equilibrium? Explain.

26. Briefly discuss the concept Green GNP.

27. Write a short note on wage-price flexibility.

28. What do you mean by money illusion? Explain.

29. Briefly discuss cash balance approach.

30. What are the assumptions of Keynesian theory of income determination?

31. Explain the determinants of investment.

32. Discuss the absolute income hypothesis.

(6 × 5 = 30 Marks)

PART D: Answer any *two* questions. Each carries 12 marks

33. Critically examine Say's law of market.

34. Elaborate Fisher's equation of exchange.

35. Discuss the inflationary and deflationary gaps.

36. Critically evaluate the life cycle hypothesis.

(2 × 12 = 24 Marks)