

**SECOND SEMESTER B.A. DEGREE EXAMINATION
MAY 2014**

(UG-CCSS)

Complementary Course – Economics

EC 2C 01 – ESSENTIALS OF ECONOMICS – MACRO

(2013 Admissions)

Time : Three Hours

Maximum : 30 Weightage

Answers may be written either in English or in Malayalam.

Section A (Objective Type Questions)

Answer all twelve questions.

I. Multiple Choice Questions :

1. Which of the following is correct?

- (a) GDP at market price = GDP at factor cost minus net indirect taxes.
- (b) NNP at factor cost = NNP at market prices minus net indirect tax.
- (c) GNP at market prices = GDP at market prices minus net factor income from abroad.
- (d) None of the above.

2. GNP does not include which of the following?

- (a) Depreciation allowance.
- (b) Transfer payments.
- (c) Net income earned from abroad.
- (d) Imputed value of owner occupied house.

3. Says' law will not operate under the conditions of :

- (a) Barter economy.
- (b) Money economy.
- (c) Equality of saving and investment.
- (d) Inflexible wages and prices.

4. Keynes' theory of employment is economics of depression because :

- (a) It is general theory.
- (b) Supply function is stable in the short run.
- (c) Employment depends on effective demand.
- (d) It is comparative static analysis.

Turn over

II. Fill in the blanks :

5. National income differs from net national product at market prices by the amount of _____
6. In classical theory, level of unemployment is a function of _____
7. AC Pigou was in favour of wage rigidity to promote _____
8. Keynes believed in _____equilibrium.

III. Answer in a word *or* sentence :

9. The process of adjusting nominal income of given year into real income is known as.
10. What is net domestic product?
11. What is Say's law of market?
12. The highest rate of return over cost accruing from an additional unit of a capital asset is called.

(12 x $\frac{1}{4}$ = 3 weightage)

Section B (Short Answer Type Questions)

IV. Answer all *nine* questions

13. Distinguish between NNP and NDP.
14. What is GDP deflator?
15. Explain personal income.
16. Explain gross national expenditure.
17. Explain the concept wage price flexibility.
18. What is classical dichotomy?
19. Explain effective demand function.
20. What is under employment equilibrium?
21. Distinguish between MPC and MPS.

(9 x 1 = 9 weightage)

Section C (Short Answer or Paragraph Questions)

V. Answer any *five* of the questions from seven :

22. What are the constituents of gross national product?
23. Distinguish between GNP at market price and GNP at factor cost.
24. What is the importance of national income estimates?
25. Explain the characteristics of Say's law of market.
26. Flexibility in wage rate is a necessary condition to full employment. Comment.

27. Critically evaluate Keynesian under employment equilibrium.
28. What is the major weakness of Keynesian theory?

(5 x 2 = 10 weightage)

Section D (Essay Type Questions)

VI. Answer any *two* questions from three

29. How is national income calculated? What are the difficulties in its correct measurement?
30. Explain the classical theory of employment and on what ground it has been challenged by Keynes?
31. What are the major contributions of Keynes to economic theory?

(2 x 4 = 8 weightage)