

Reg. No.....

SECOND SEMESTER B.A. DEGREE EXAMINATION, MAY 2014

(UG—CCSS)

Complementary Course—Economics

EC 2C 03—ESSENTIALS OF ECONOMICS—MACRO

(2009-2012 Admissions)

Time : Three Hours

Maximum : 30 Weightage

*Answers may be written either in English or in Malayalam.***Part A***Answer all questions.**Each question carries $\frac{1}{4}$ weightage.*

1. According to classical theory, the aggregate supply curve is :
 - (a) Perfectly horizontal.
 - (b) Gently upward sloping.
 - (c) Flat at first, and then rises steeply.
 - (d) Perfectly vertical.
2. Name the economist who set the trend of using national income concept and accounting methods to measure the direction of growth of economies :
 - (a) J.M. Keynes.
 - (b) Adam Smith.
 - (c) Simon Kuznet.
 - (d) Ragnar Frisch.
3. Classical school of economics believed that the aggregate supply would always be at the :
 - (a) Full-employment equilibrium.
 - (b) Underemployment equilibrium.
 - (c) Overproduction.
 - (d) Market glut.
4. Which of the following statements does *not* characterize classical theory ?
 - (a) Markets are self-adjusting, and the economy tends to function smoothly.
 - (b) The government expenditure plays an important role in determining National Income.
 - (c) Output always remains at its full employment level.
 - (d) Individuals are rational, optimizing agents, who quickly respond to market conditions.

Turn over

13. Fill in the blanks :

5. Fall in prices, contractions in production and severe unemployment in 1930's is known as the _____
6. The total demand for goods and services in the economy is known as the _____
7. GDP_{FC} minus _____ gives NDP_{FC} .
8. The rationale for not taking into account the value of intermediate goods in the measure of GDP is to avoid the problem of _____

C. Answer in a word/sentence :

9. GDP.
10. Frictional unemployment.
11. Under-employment equilibrium.
12. Disposable income.

(12 x 1 = 12 weightage)

Part B (Short Answer Type Questions)

*Answer all **nine** questions.
Each question carries 1 weightage.*

13. What is psychological law of consumption ?
14. Why is the Aggregate Demand curve downward sloping ?
15. Explain macro-economics with examples.
16. What is national income accounting ?
17. Differentiate Real GNP and Nominal GNP.
18. What is the difference between NNP_{MP} and NNP_{FC} ?
19. What do you mean by consumption function ?
20. What is effective demand ?
21. Write a note on Laissez faire.

(9 x 1 = 9 weightage)

Part C (Short Essay or Paragraph Questions)

*Answer any **five** questions.
Each question carries 2 weightage.*

22. What is the advantage of using real GNP than nominal GNP ?
23. What is national income accounting ?
24. Define per-capita income and point out its major weakness.
25. Explain "Say's Law of Market".

26. What do you mean by wage-price flexibility ?
27. What is full-employment equilibrium ?
28. Suppose the consumption function of an economy is $C = 0.8 Y$. Planned investment by entrepreneurs for a year is Rs. 500 crores. Find out what will be the equilibrium level of income.
- (5 x 2 = 10 weightage)

Part D (Essay Questions)

*Answer any **two** questions.*

*Each question carries **4** weightage.*

29. Critically examine the importance and difficulties in the estimation of national income.
30. Explain the subjective and objective factors which determine consumption function.
31. Analyse critically the Keynesian under-employment equilibrium concept.

(2 x 4 = 8 weightage)