

FOURTH SEMESTER RA. DEGREE EXAMINATION, APRIL/MAY 2015

(UG—CCSS)

Core Course—Economics

EC 4B 06—MICRO—ECONOMICS – II

(2013 Admissions)

Time : Three Hours_____

Maximum : 30 Weightage

*Answers may be written **either** in English **or** in Malayalam.*

I. Objective Type Questions. Answer *all* the twelve questions :

A. Choose the correct answer :

1 One of the following is the asset function of money :

- (a) Unit of account. (b) Store of value.
- (c) Medium of exchange. (d) Transaction function,

2 Cost push inflation occurs due to

- (a) Increase in the quantity of money.
- (b) Increase in the value of money.
- (c) Increase in labour costs.
- (d) Decrease in the repo rate.

3 Debt management is a:

- (a) Monetary policy. (b) Foreign exchange policy.
- (c) Fiscal policy. (d) Management policy.

4 LM curve shows :

- (a) Monetary equilibrium.
- (b) Real sector equilibrium.
- (c) Equality between saving and investment.
- (d) Equality between production and consumption.

B. Fill in the blanks :

5 The asset demand for money is a contribution of _____

6 High powered money is the sum of money in circulation and _____

7 Repo and reverse repo are instruments of _____ policy.

8 Balance of payments equilibrium consists of current account and _____ account.

- 9 Currency issued by the central bank is a form of inside money.
- 10 Okun's law explains the relationship between the rate of unemployment and GNP.
- 11 Stagflation was foreseen by Lord Keynes.
- 12 The major trading partner of India is China.

(12 x ¼ = 3 weightage)

II. Short answer questions. Answer **all** nine questions :

- 13 Define near money.
- 14 Define liquidity trap.
- 15 What is the sacrifice ratio of inflation ?
- 16 Define business cycle.
- 17 What are the exchange functions of money ?
- 18 What is meant by crowding out effect ?
- 19 Define balance of payments.
- 20 What is debt redemption ?
- 21 Define foreign trade multiplier.

(9 x 1 = 9 weightage)

III. Short answer/paragraph questions. Answer any **five** out of seven :

- 22 Distinguish between money and near money.
- 23 What are the various measures of money supply ?
- 24 Examine the effects of inflation.
- 25 Comment on the various phases of business cycle.
- 26 Examine the classical theory of the demand for money.
- 27 Examine the various types of unemployment.
- 28 Comment on the significance of an open economy.

(5 x 2 = 10 weightage)

IV. Essays. Answer any **two** out of three :

- 29 Examine the Keynesian theory of the demand for money.
- 30 Define inflation. Distinguish between cost push and demand pull inflation.
- 31 Examine the objectives and instruments of monetary policy.

(2 x 4 = 8 weightage)

