

**C 30476-A**

(Pages : 4)

Name.....

Reg. No.....

**FIFTH SEMESTER B.A. DEGREE EXAMINATION, NOVEMBER 2017**

(CUCBCSS—UG)

Economics

**ECO 5B 07—MACRO ECONOMICS—I**

(Multiple Choice Questions for SDE Candidates)

**Time : 15 Minutes**

**Total No. of Questions : 20**

**Maximum : 20 Marks**

**INSTRUCTIONS TO THE CANDIDATE**

1. This Question Paper carries Multiple Choice Questions from 1 to 20.
2. The candidate should check that the question paper supplied to him/her contains all the 20 questions in serial order.
3. Each question is provided with choices (A), (B), (C) and (D) having one correct answer. Choose the correct answer and enter it in the main answer-book.
4. The MCQ question paper will be supplied after the completion of the descriptive examination.

## ECO 5B 07—MACRO ECONOMICS—I

## (Multiple Choice Questions for SDE Candidates)

1. Inflation can not be caused by :
  - (A) Cost push factor.
  - (B) Excessive money supply.
  - (C) Excessive production.
  - (D) Demand pull factors.
2. "Effective demand is different from aggregate demand". This statement is :
  - (A) True.
  - (B) False.
  - (C) Baseless.
  - (D) None of these.
3. Who had a different macro theory than the rest ?
  - (A) Adam Smith.
  - (B) David Ricardo.
  - (C) Malthus.
  - (D) J.B. Say.
4. Which of the following is not a flow variable :
  - (A) Income.
  - (B) Wealth.
  - (C) Saving.
  - (D) Investment.
5. In Classical theory, the equality between saving and investment is brought about by :
  - (A) Income.
  - (B) Rate of interest.
  - (C) Consumption.
  - (D) Multiplier.
6. Knowledge used to combine resources productively is called :
  - (A) Comparative advantage.
  - (B) Capitalism.
  - (C) Entrepreneurship.
  - (D) Technology.
7. Theories are :
  - (A) Much more complicated than common sense.
  - (B) Scientific only if based on normative value judgments.
  - (C) Proven if only a few unimportant exceptions exist.
  - (D) Developed when we collect data, try to explain how things work, and then test for Validity.

8. Milton Friedman restated the :  
(A) Labour Theory. (B) Profit Theory  
(C) Quantity Theory of Money (D) Wage theory.
9. Saving is a function of :  
(A) Export. (B) Investment.  
(C) Improvement in productivity. (D) Income.
10. In the classical theory the equality between saving and investment is brought about by :  
(A) Income. (B) Rate Interest  
(C) Consumption. (D) None of these.
11. GDP Deflator is also called as :  
(A) Implicit Cost Deflator. (B) GDP at Factor Cost.  
(C) Implicit Wage Deflator. (D) Implicit Price Deflator.
12. Disposable Income does not include :  
(A) Excise duty paid. (B) Income tax.  
(C) Customs duty paid. (D) None of the above.
13. Adam Smith, the father of modern economic theory, defined economics as a subject, which is mainly concerned with the study of nature and causes of generation of ———.  
(A) Wealth. (B) Welfare.  
(C) Happiness. (D) Scarcity.
14. Who defined economics as: a science which studies human behavior as a relationship between ends and scarce means which have alternative uses :  
(A) J.B. Say. (B) Alfred Marshall.  
(C) David Ricardo. (D) Robbins.
15. The problem of scarcity and choice making can be depicted using the tool of ——— curve.  
(A) Demand. (B) Isoquant.  
(C) Indifference. (D) Production possibility.

Turn over

16. Which of the following can cause shifts in consumption function :
- (A) Psychological attitude. (B) Social practices.  
(C) Business motives.. (D) Changes in price level.
17. In the Keynesian two sector model, when  $AD = AS$ , then :
- (A)  $S < I$ . (B)  $S > I$ .  
(C)  $S = I$ . (D)  $I = 0$
18. According to Keynes, saving is :
- (A) Private virtue but not social virtue.  
(B) Private and social virtue.  
(C) Is neither private virtue nor social virtue.  
(D) Is either social virtue or private virtue.
19. MEC is inversely related to :
- (A) Prospective yield. (B) Supply price.  
(C) Investment. (D) Rate of interest.
20. The sum of marginal propensity to consume plus marginal propensity to save must equal to :
- (A) 0. (B) 1.  
(C) 100. (D) 1000.



**FIFTH SEMESTER B.A. DEGREE EXAMINATION, NOVEMBER 2017**

(CUCBCSS—UG)

Economics

ECO 5B 07—MACRO ECONOMICS—I

Time : Three Hours

Maximum : 80 Marks

*Answer may be written either in English or in Malayalam.***Part A***Answer all questions.**Each question carries ½ mark.*

1. Micro Economics and Macro Economics are :
  - (a) Mutually Exclusive.
  - (b) Independent of each other.
  - (c) Interdependent.
  - (d) Competitive to each other.
2. Which of the following is incorrect ?
  - (a)  $GDP_{mp} = \text{GDP at factor cost plus net indirect taxes.}$
  - (b)  $NNP_{fc} = \text{NNP at market prices minus net indirect taxes.}$
  - (c)  $GNP_{mp} = \text{GDP at market prices plus net factor income from abroad.}$
  - (d) None of the above.
3. Keynesian Unemployment is :
  - (a) Voluntary.
  - (b) Cyclical.
  - (c) Structural.
  - (d) Involuntary.
4. In the equation  $p = mv + m'v'/T$ , which element is not assumed to be constant :
  - (a) p.
  - (b) b.
  - (c) m.
  - (d) T.
5. If during a year NI at constant prices goes up by 7%, while prices also rise by 7% and population registers a growth of 2%. Then the real income will :
  - (a) Remain constant.
  - (b) Rises by 5%.
  - (c) Fall by 5%.
  - (d) Rises by 3.5%.

**Turn over**

6. Which of the following is not a determinant of autonomous investment ?
- (a) Income. (b) Level of technology.  
(c) Interest rate. (d) Expectations of future economic growth.
7. According to ——— NI is the net aggregate of commodities and services produced by a country in a year.
- (a) Baumol (b) Alfred Marshall.  
(c) Kuznets. (d) Pigou.
8. Life Cycle Income was proposed by :
- (a) Milton Friedman. (b) Franco Modigliani.  
(c) J.M. Keynes. (d) J.S. Duesenberry.
9. The rate of change in income as a result of change in investment, is defined as :
- (a) MPC. (b) MPS.  
(c) Multiplier. (d) Accelerator.
10. In the long run, the Keynesian aggregate supply curve is :
- (a) Downward sloping because product prices are fixed.  
(b) Upward sloping because factor prices are fixed.  
(c) Vertical because rate of unemployment is fixed.  
(d) Horizontal because the price level is fixed.
11. Who first introduced the concept of Effective Demand ?
- (a) J.M Keynes. (b) Pigou.  
(c) Thomas Robert Malthus. (d) Alfred Marshall.
12. If money has no real effect, it is called :
- (a) Neutrality of money. (b) Real effect.  
(c) Consumption effect. (d) Income effect.

(12 × ½ = 6 marks)

**Part B (Very Short Answer Questions)**

*Answer any ten questions.*

*Each question carries 2 marks.*

13. Distinguish between Autonomous Investment and Induced Investment ?
14. State Pigou Effect ?

15. Fishers equation of exchange.
16. Classical Dichotomy.
17. Functional Finance.
18. Exante and Expost variable.
19. Ratchet Effect.
20. Define gross domestic product ?
21. Inflationary and Deflationary Gap.
22. Bring about the technical attributes of Keynesian consumption function ?
23. Distinguish between Micro and Macro Economies.
24. Define MEC.

(10 × 2 = 20 marks)

### Part C (Short Essay Questions)

*Answer any **six** questions.  
Each question carries 5 marks.*

25. Explain the theory of Comparative static equilibrium ?
26. Explain the Keynesian income determination in four sector economy.
27. Explain the Life Cycle Hypothesis.
28. Calculate NI by using the following data.

	Income
1. Compensation of employees	4,000
2. Government Purchases	1,000
3. Net indirect taxes	400
4. Interest and Profits	3,000
5. Net exports	600
6. Gross business fixed Investment	3,000
7. Personal consumption expenditure	10,500
8. Inventory investment	500
9. Net factor income from abroad	600
10. Consumption of fixed capital	2,000
11. Mixed income of the self-employed	5,000

**Turn over**



29. Discuss the view that 'saving is a leakage' in the Keynesian Theory.
30. Explain the comparative static and dynamic equilibrium.
31. Explain the national income concepts and their inter-relationship ?
32. Explain the objectives of fiscal policy ?

(6 × 5 = 30 marks)

**Part D (Essay Questions)**

*Answer any two questions.  
Each question carries 12 marks.*

33. Explain the model of income determination in a three sector economy.
34. Explain the relationship between national income and national welfare and also state the limitations of national income as a measure of national welfare.
35. Explain quantity theory of money and its modification.
36. Classical model of output and employment determinants.

(2 × 12 = 24 marks)