

SIXTH SEMESTER B.A. DEGREE EXAMINATION, MARCH/APRIL 2018

(CUCBCSS—UG)

Economics

ECO 6B 11—MACRO ECONOMICS—II

Time : Three Hours

Maximum : 80 Marks

Part A*Answer all questions.**Each question carries ½ mark.*

1. IS function shift forward, when investment function shift :
 - (a) Forward.
 - (b) Backward.
 - (c) Remain the same.
 - (d) None of these.
2. An increase in the money supply have no effect upon equilibrium income, if :
 - (a) LM is steeply sloped and IS is relatively flat.
 - (b) LM is steeply sloped and IS is vertical.
 - (c) LM is vertical and IS is steeply sloped.
 - (d) LM is relatively flat as the IS.
3. It is impossible to increase the level of Output due to monetary policy, if the LM curve is :
 - (a) Perfectly elastic.
 - (b) Perfectly inelastic.
 - (c) Relatively elastic.
 - (d) Relatively inelastic.
4. Ceteris paribus, in the neoclassical ISLM model, fiscal policy leading to the forward shifting of IS schedule cannot alter the level of real national output due to :
 - (a) Price rigidity.
 - (b) Crowding out effect.
 - (c) Increased taxation.
 - (d) Constant interest rate.
5. When there is a recession plus a high inflation rate, it is :
 - (a) Stagnation.
 - (b) Stagflation.
 - (c) Augmented inflation.
 - (d) Repressed inflation.

Turn over

6. At the natural rate of unemployment, Phillips curve becomes :
- (a) Vertical (b) Downward sloping flat
(c) Horizontal (d) Downward sloping steep
7. Components of Demand for money for Active Cash Balance is, demand for money for :
- (a) Transaction motive and Speculative motive.
(b) Transaction motive and Precautionary motive.
(c) Speculative motive and Precautionary motive.
8. Under a fixed exchange rate system, when domestic currency is it is moved to a lower parity in terms of vehicle currency is :
- (a) Appreciation. (b) Depreciation.
(c) Devaluation. (d) Revaluation.
9. Who is the author of the book, 'A Treatise on Money' ?
- (a) Milton Friedman. (b) J. M. Keynes.
(c) C. P. Kindleberger. (d) A. C. Pigou.
10. Persistent rise in the general level of prices and fall in the value of money is referred to as :
- (a) Inflation. (b) Deflation.
(c) Stagnation. (d) Stagflation.
11. Which of the following is typically caused by a recession ?
- (a) An increase in structural unemployment.
(b) An increase in frictional unemployment.
(c) An increase in cyclical unemployment.
(d) Decrease in natural rate of unemployment.
12. Which of the following group will not be hurt by inflation ?
- (a) Individuals on fixed income. (b) Borrowers at fixed interest rates.
(c) Lenders at fixed interest rates. (d) All the above.

(12 × ½ = 6 marks)

Part B (Very Short Answer Questions)

Answer any ten questions.

Each question carries 2 marks.

13. What are the types of money ?
14. Define Liquidity trap.

15. What are the components of Keynesian demand for money ?
16. What is money multiplier ?
17. Define sacrifice ratio.
18. State Okun's law.
19. Define stagflation.
20. State Phillips curve.
21. What is IS Curve ?
22. Write a note on long run Philips curve.
23. What are the types of unemployment ?
24. What are the phases of trade cycle ?

(10 × 2 = 20 marks)

Part C (Short Essay Questions)

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

25. Write a note on economic cost of inflation.
26. What are the measures of money supply in India ?
27. Describe Patinkin's view on money and prices.
28. Explain Fisher's quantity theory of money.
29. Examine unemployment inflation trade-off.
30. Describe the monetary theory of business cycle.
31. Illustrate the slope of LM Curve and explain their implications.
32. Explain Kaldor's model of trade cycle.

(6 × 5 = 30 marks)

Part D (Essay Questions)

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

33. Explain Keynesian theory of interest determination.
34. Describe IS-LM Model.
35. Explain *Four* sector economic model IS-LM-BOP Schedule.
36. Discuss the objective of monetary management in a developing economy.

(2 × 12 = 24 marks)

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(Pages : 4)

Name.....

Reg. No.....

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Economics

ECO 6B 11—MACRO ECONOMICS—II

(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 6B 11—MACRO ECONOMICS—II
(Multiple Choice Questions for SDE Candidates)

1. Peaks and troughs of the business cycle are known collectively as :
(A) Volatility. (B) Turning points.
(C) Equilibrium points. (D) Real business cycle events.
2. IS curve represents the equilibrium of _____ sector.
(A) Money. (B) Goods.
(C) Government. (D) All.
3. The LM curve has a _____ slope.
(A) Positive. (B) Negative.
(C) Parallel. (D) No slope.
4. ISLM is used to determine :
(A) Income. (B) Interest.
(C) Both. (D) All.
5. The relationship between income and interest in the LM curve is :
(A) Direct. (B) Indirect.
(C) No relation. (D) None.
6. Which of the following is not an objective of monetary policy ?
(A) Price stability. (B) Balance of Payments equilibrium.
(C) Economic growth. (D) Reduction in export.
7. Which of the following is not an element of high Powered money ?
(A) Currency. (B) Repos.
(C) Required Reserves. (D) Excess reserves.

8. Which of the following is an example of qualitative credit control measure ?
- (A) Variable reserve ratio. (B) Prescribing margin requirements.
(C) Discriminatory taxes. (D) Open market operations.
9. The objective of Monetary Policy is :
- (A) To print notes of desired denominations.
(B) To control cost and supply of money.
(C) To provide loan to government.
(D) None of these.
10. A business cycle is composed of ———— phases.
- (A) 2 Phase. (B) 3 Phase.
(C) 4 Phase. (D) No Phase.
11. When prices of only few commodities rise :
- (A) Sporadic Inflation. (B) Suppressed inflation.
(C) Open inflation. (D) Creeping inflation.
12. The rate of inflation in walking inflation is :
- (A) Between 3 to 10%. (B) Below 3%.
(C) More than 10%. (D) More than 3%.
13. Inflation due to increase in price of industrial products is known as :
- (A) Pricing power inflation. (B) Profit inflation.
(C) Sectoral inflation. (D) None.
14. Cost push inflation can be controlled mainly by :
- (A) Fiscal policy. (B) Monetary policy.
(C) Administrative policy. (D) All.
15. Sacrifice ratio measures :
- (A) Output lose. (B) Profit lose.
(C) Income lose. (D) None.

Turn over

16. Assertion (A) : Necessity led to the invention of money

Reason (R) : Barter system failed to perform the major functions of money :

- (A) (A) is true but (R) is false.
- (B) Both (A) and (R) are false.
- (C) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (D) Both (A) and (R) are true but (R) is not the correct explanation of (A).

17. In the case of paper currency :

- (A) Intrinsic value and face value are equal.
- (B) Intrinsic value is less than face value.
- (C) Intrinsic value is greater than face value.
- (D) None of the above.

18. Which of the following is a primary function of money :

- (A) Measure of value.
- (B) Store of value.
- (C) Standard of deferred payments.
- (D) Basis of credit.

19. In India the standard money is :

- (A) Gold coins.
- (B) Rupee.
- (C) Dollar.
- (D) Paisa.

20. In the case of a 'token money' :

- (A) Face value is less than the metal value.
- (B) Face value is equal to the metal value.
- (C) Face value is greater than the metal value.
- (D) None of the above.