

(2 ½ Hours)

[Total Marks: 75]

N.B : (1) **All Questions are Compulsory.**(2) **Figures** to the right indicate **full** marks.(3) Draw **neat diagram** wherever necessary.Q1A. State whether the following statement are **True OR False (Any 8)**

8

1. National income comes under the scope of microeconomics.
2. Trade cycles are recurrent in nature.
3. Expansion of money supply leads to generation of inflation in the economy.
4. During recession, Repo rate is increased.
5. Incidence of tax refers to the final burden of a tax.
6. Public expenditure refers to the expenditure of an individual.
7. Foreign portfolio investment is the flow of foreign capital in the form of equity capital.
8. Foreign exchange market helps in coverage of risks.
9. Central bank is an important participant in foreign exchange market.
10. Spot exchange rate is determined by demand and supply of foreign exchange.

Q1 B. Match the following pair (Any 7)

7

Group 'A'	Group 'B'
1) National Income	a) Cost push
2) Aggregate Demand Function (ADF)	b) Revenue and Capital Account
3) High powered money	c) Classical theory of international trade
4) Inflation	d) Commercial Bank
5) Fiscal policy	e) Net National Product (NNP)
6) Union Budget	f) Current Account
7) David Ricardo	g) Public expenditure
8) Import of goods	h) Money supply
9) Forward Exchange rate	i) Maximum amount of sales proceeds
10) Participant in foreign exchange market	j) Future delivery

Q2A) Explain the circular flow of income in a three sector model. 8

Q2B) Describe the consumption functions with a help of a diagram. 7

**OR**

Q2C) Explain the aggregate demand function (ADF) and aggregate supply function (ASF) in detail. 8

Q2D) Define macro economics. What is its scope? 7

Q3A) Explain the liquidity preference approach to demand for money. 8

Q3 B) Describe the nature of inflation in a developing economy. 7

**OR**

Q3C) Define velocity of circulation of money. What are the determinants of velocity of circulation of money? 8

Q3D) Describe the various selective instruments of monetary policy. 7

Q4A) What are various effects of taxation. 8

Q4B) Explain in brief the Principles of sound and functional finance. 7

**OR**

Q4C) Describe the various instruments of fiscal policy. 8

Q4D) Explain the main features of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003. 7

Q5A) Explain the role of multinational corporations. 8

Q5 B) What are the monetary measures to correct disequilibrium in Balance of Payment. 7

**OR**

Q5) Write short notes on the following. (Any3) 15

- Multiplier
- Cash transaction approach
- Extent debt burden
- Policy of protection
- Flexible exchange rate

\*\*\*\*\*