

- Note: 1. All Questions are compulsory
2. Figures to right indicate full marks

Q.1.A] Fill in the blanks: [Any 8]

[8]

1. Government receive income in the form of _____.
a) Income Tax b) Sales Tax c) Both
2. Peak and _____ marks the turning points of the trade cycles.
a) Troughs b) Prosperity c) Recession
3. The value of multiplier is directly related to _____.
a) MPC b) MPS c) APC
4. The goods market equilibrium is shown by _____ curve.
a) LM b) IS c) Income.
5. _____ is not a Tax.
a) Income tax b) Excise duty c) Special Assessment
6. Ricardian theory measure Comparative Cost in terms of _____.
a) Money b) Labour days c) Cost of all inputs
7. Arbitrage takes place because of _____.
a) Difference in bid and ask price of different banks.
b) Difference exchange rate at different places.
c) Both (a) and (b)
8. Sterilised intervention aims at _____.
a) Controlling only the exchange rate .
b) Domestic money supply
c) Both (a) and (b)
9. Purchasing power parity theory neglects _____.
a) Flow of foreign currency under capital A/C
b) Trade in capital goods.
Trade in consumer goods.
10. Foreign exchange reserves of India includes _____.
a) Indian Currency b) SDRs c) None of the above.

Q.1.B] State whether the following statements are **True OR False**: [Any 7] [7]
1. Exports of goods and services as well as foreign investments and borrowings result in the outflow of money.

2. The point where the aggregate demand curve intersects the 45° line is called 'The Keynesian cross'.
3. CRR and SLR are forms of variable reserve requirement.
4. A good tax system should be complicated.
5. The IS curve slopes upwards to the right.
6. When $MSB = MSS$ Social welfare is Minimum.
7. Tax revenue includes fees and fines.
8. Productive debt is self-liquidating.
9. Import of goods and services increases the supply of foreign exchange.
10. Devaluation of domestic currency makes export costlier and import cheaper.

Q.2.A] Explain different methods of estimating National Income. [8]

B] Define Trade cycle and explain various phases of trade cycle. [7]

OR
C] "Rate of Interest is determined by the demand for and supply of money" Discuss. [8]

D] Discuss effects of inflation [7]

Q.3.A] Discuss various sources of public revenue. [8]

B] Explain Ricardian theory of Comparative Cost. [7]

OR
C] Define public expenditure and explain its various types. [8]

D] "Balance of payment is always balanced" Discuss. [7]

Q.4.A] Define disequilibrium in balance of payment and explain its causes. [8]

B] Explain different methods of measuring terms of trade and bring out their limitations. [7]

OR

C] What is foreign exchange rate ? How is it determine? [8]

D] Explain the operation of arbitrage and speculation in a foreign exchange market [7]

Q.5.A] Explain the principles of WTO. [8]

B] Explain relative version of Purchasing Power Parity theory and its limitations. [7]

OR

Q.5] Write short note on: [Any 3]

1. Leakage of multiplier.
2. Causes of inflation.
3. Public debt Management.
4. Structure of BOP.
5. Spot and forward exchange rate.