

NOTE: 1. All Questions are Compulsory.

2. Figures to right indicate full marks.

Q1. A) State whether the following statements are **TRUE OR FALSE**: (Any 8) (8)

1. The concept of national income is a monetary measure.
2. There are four phases in trade cycle.
3. Demand for money for precautionary motive is utilized for unforeseen contingencies.
4. Liquidity preference theory of interest is determined by Keynes.
5. Cost push inflation takes place due to the increase in the cost of production.
6. Monetary policy can only be expansionary.
7. Government expenditure does not include transfer payments.
8. LM curve is downward sloping.
9. Income tax is not a type of direct tax.
10. Defence is not a part of government expenditure.

Q1. B) Fill in the blanks with the appropriate terms given below: (Any 7) (7)

1. Government receives income in the form of \_\_\_\_\_  
a) Direct taxes                      b) Taxes                      c) Sales tax
2. During \_\_\_\_\_ consumer purchases decline slowly.  
a) Prosperity                      b) Recession                      c) Recovery
3. In a four sector economy aggregate demand is equal to \_\_\_\_\_  
a)  $C+I$                       b)  $C+I+G$                       c)  $C+I+G+NX$
4. Fiscal policy refers to \_\_\_\_\_  
a) Government expenditure                      b) Interest rates                      c) Legal structures
5. Demand for transaction and precautionary motive is interest \_\_\_\_\_  
a) Inelastic                      b) Elastic                      c) Unit elastic
6. Interest is a price paid for the use of \_\_\_\_\_  
a) Capital                      b) Land                      c) Machines
7. \_\_\_\_\_ are losers during inflation.  
a) Debtors                      b) Creditors                      c) Business people
8. The IS curve slopes \_\_\_\_\_  
a) Downwards                      b) Upwards                      c) Horizontal

9. Economics fluctuations consist of booms and \_\_\_\_\_  
a) Slumps                      b) Prosperity                      c) Growth
10. The value of multiplier depends upon the \_\_\_\_\_ of resources.  
a) Availability                      b) Non-availability                      c) Nature
- Q.2 A) Discuss the circular flow of income in a three sector economy. (8)  
B) Explain the main features of a trade cycle. (7)  
OR  
C) Examine Keynes theory of demand for money. (8)  
D) State and explain RBI's measures of money supply in detail. (7)
- Q.3 A) What are the objectives of monetary policy? (8)  
B) Discuss the characteristics of good taxation system. (7)  
OR  
C) Explain the meaning and scope of public finance. (8)  
D) Highlight the meaning and merits of direct tax in detail.
- Q.4 A) Examine the theory of absolute difference in cost. (8)  
B) Analyze the factors affecting terms of trade. (7)  
OR  
C) Highlight the participants involved in the foreign exchange market. (8)  
D) State and explain the advantages and disadvantages of free float. (7)
- Q.5 A) Analyze Musgrave's approach of maximum social advantage in detail. (8)  
B) What are the qualitative techniques of credit control? (7)  
OR  
Q.5 Write short notes on: (Any 3) (15)  
A) Gross domestic Product (GDP)  
B) Transactions motive  
C) Derivation of LM curve  
D) Grants-in-aid and gifts  
E) Net barter terms of trade.

— The End —