Q.P. Code: 23405

[Time: 2.30 Hours] **[Marks:75]**

Please check whether you have got the right question paper.

N.B: 1.   Attempt all questions.
2.   All questions carry equal marks

Q.1 **Answer any two** 15
a) Explain the concept of circular flow of income and expenditure in a three – sector economy.
b) Discuss the various factors affecting consumption function.
c) Explain concept of multiplier and bring out various leakages of the multiplier.

Q.2 **Answer any two** 15
a) Explain the Keynesian approach to demand for money.
b) Explain the effects of inflation.
c) Explain the objectives of monetary policy.

Q.3 **Answer any two** 15
a) Explain the principle of sound finances.
b) Explain the burden of internal public debt.
c) Discuss the limitations of the FRBM Act,2003.

Q.4 **Answer any two** 15
a) Evaluate Ricardian Theory of comparative cost.
b) Discuss the arguments for free trade.
c) Explain measures to control deficit in the balance of payments.

Q.5 **A) Conceptual question (any four out of six)** 8
1) National income
2) Money supply
3) Public expenditure
4) Public debt
5) Currency devaluation
6) Quota

Q.5 **B) Multiple choice question (any seven)** 7
1) In a circular flow economy firms supply--------
a) Labour
b) Goods and services
c) Land
d) None of the above

2) The ----- theory attributes business cycles to changes in marginal efficiency of capital
a) Monetary
b) Multiplier – accelerator
c) Real business
d) Investment

3) Demand for transaction and precautionary motive is interest------------
   a) Elastic
   b) Unit elastic
   c) Inelastic
   d) None of the above

4) Which of the following is not a direct cause of demand – pull inflation-----------
   a) Deficit financing
   b) Credit creation
   c) Raw materials
   d) Black money

5) External debt implies borrowing from--------
   a) Individuals
   b) Firms
   c) Foreign countries
   d) None of the above

6) Ricardian theory measures comparative cost in terms of---------
   a) Money
   b) Labour days
   c) Cost of all inputs
   d) None of the above

7) Expenditure switching policies used to correct deficit in the balance of payments----
   a) Devaluation
   b) Revaluation
   c) Appreciation
   d) All of the above

8) Which of the following is not true of prosperity? ----
   a) It begins at peak
   b) Bank credit grows rapidly
   c) Idle funds are channelized into productive area
   d) Comes to an end at peak

9) Inflation is beneficial to ------
   a) Fixed income group
   b) Business people
   c) Creditors
   d) None of the above

10) Income terms of trade tells increased capacity to ----
   a) Export
   b) Import
   c) Investment
   d) None of the above

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