

Q. 1 Answer the following (Any 2) (15)

- A. Circular flow of income in a two sector economy with saving and investment.
- B. Meaning and features of trade cycle.
- C. Concept and limitations of multiplier.

Q. 2 Explain the following (Any 2) (15)

- A. Constituents of money supply.
- B. Factors affecting transaction velocity.
- C. Liquidity preference theory of interest.

Q. 3 Answer the following (Any 2) (15)

- A. Demand – pull inflation with suitable diagram.
- B. Phillips curve.
- C. Terms related to inflation.

Q. 4 Discuss the following (Any 2) (15)

- A. Factors affecting liquidity of banks.
- B. Meaning and objectives of monetary policy.
- C. Derivation of IS curve with its slope and shift.

Q. 5 A.State whether the following statements are **TRUE OR FALSE** with reasons (Any 4) (08)

1. Savings for a leakage in the circular flow of income.
2. Severe form of recession is depression.
3. Demand deposits are included in traditional measure of money supply.
4. Transaction and precautionary demand for money is interest inelastic.
5. Deflation is rise in general price level.
6. Fixed income group gain during inflation.
7. Share capital is not liability of a bank.
8. Fiscal policy is made by central bank.

(07)

Q. 5 B Fill in the blanks (Any 7)

1. _____ represents circular flow of income in an open economy.
a) $Y = C + I + G + NX$ (b) $Y = C + I + G$
c) $Y = C + S$ (d) $Y = C + I$
2. The Multiplier – Accelerator Theory of trade cycles is associated with _____.
a) Schumpeter (b) Nordhaus
c) Hawtrey (d) Samuelson
3. Capital – Output ratio is _____.
a) Dynamic (b) Constant
c) Neutral (d) None of the above
4. _____ determines money supply.
a) Money multiplier (b) Community's choice
c) High powered money (d) All the above
5. According to classical economists people demand money because money is _____.
a) Store of value (b) Medium of exchange
c) Both a and b (d) None of the above
6. At a very low rate of interest the liquidity preference curve becomes _____.
a) Relatively inelastic (b) Relatively elastic
c) Perfectly elastic (d) Perfectly inelastic
7. Current inflation rate is referred to as _____.
a) Demand pull inflation (b) Headline inflation
c) Core inflation (d) Cost Push inflation
8. The causes of inflation are _____.
a) Exports (b) Black money
c) Population (d) All the above

9. Public expenditure is _____ during inflation.

- a) Decrease (b) Increase
- c) Neutral (d) Zero

10. Quantitative methods of credit control includes _____.

- a) Marginal requirement (b) Bank rate
- c) Ceiling on credit (d) Moral suasion

11. During deficit financing government revenue is _____ than government expenditure.

- a) Less (b) Zero
- c) More (d) Equal

12. The slope of LM curve is _____

- a) Negative (b) Horizontal
- c) Vertical (d) Positive

— The End —

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