Q.P. Code :09717

[Time: 2 Hours]   [Marks:60]

Please check whether you have got the right question paper.

N.B: 1. **All questions are compulsory.**
         2. Figures to the right indicate full marks.
         3. Draw neat **diagrams** wherever necessary.

Q1   A. Explain the determination of real income with the help of Keynesian concepts of Aggregate Demand   08
        Function and Aggregate Supply Function.
     B. Write a note on inflationary gap.   07
                                                OR
     C. Explain the trade-off between inflation and unemployment in the short run.   08
     D. Explain meaning of non-accelerating inflation rate of unemployment (NAIRU).   07

Q2   A. Derive IS curve and bring out the factors that determine the slop of IS curve.   08
     B. Explain the factors that determine the shift in the LM curve.   07
                                                OR
     C. Bring out the effect of monetary influences on income and interest rate in the IS-LM model.   08
     D. Explain the transmission mechanism and the crowding out effect of fiscal policy in the IS-LM model.   07

Q3   A. Discuss the expenditure switching policy to correct disequilibrium in the balance of payments.   08
     B. Explain the role of fiscal policy in correcting disequilibrium in the balance of payments.   07
                                                OR
     C. Explain the use of monetary and fiscal policies to achieve internal and external balance with the help of   08
        Mundell-Fleming model.
     D. Explain the effectiveness of devaluation in terms of elasticity and absorption approach.   07

Q4   A. Select the correct answer and rewrite the following statements: 07

        i.   In the expenditure method, national income is the sum of total expenditure incurred on
              _____ goods and services.
              a. Final
              b. All
              c. Intermediate
              d. All of the above
        ii.   Gross Domestic Product in a closed economy consists of _____
              a. C+I+G+(X-M)
              b. C+I+G
              c. C+I+G+(X-M)+ (R-P)
              d. None of the above
        iii. Real income is worked out on the basis of _____
              a. Current Price
              b. Constant price
              c. Both
              d. None of the above

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[P.T.O]

iv. Income earned by self-employed people is called _____
   a. Mixed income
   b. Wages
   c. Rent
   d. None of the above

v. Human Development takes into account_____
   a. Per capita income
   b. Life expectancy
   c. Level of literacy
   d. All of the above

vi. As per human Development Report 2015, HDI rank of India is_____
   a. 125
   b. 130
   c. 134
   d. 140

vii. GDP deflator = _____
   a. $\frac{PI_T - PI_{T-1}}{PI_{T-1}} \times 100$
   b. $\frac{GDP\ at\ Current\ prices}{GDP\ at\ constant\ prices} \times 100$
   c. C+I+G+(X-M)
   d. None of the above

B. Validate the following statements: 08
   i. National income estimates include capital gains.
   ii. GDP minus Depreciation is NDP.
   iii. Purchasing Power Parity is based on the principle of single price.
   iv. India ranks among medium human development group of countries.

                                   OR

Q4   Write short notes on any three: 15
   i. Product method of measurement of National income
   ii. Real and nominal income concepts
   iii. Determinants of Aggregate Demand function
   iv. Simultaneous equilibrium in the goods and money markets in the IS-LM model
   v. J- Curve effect