

**BACHELOR OF COMMERCE(Hons)**  
**SECOND SEMESTER**  
**MACRO ECONOMICS**  
**BCM-205A**

Duration : 3 hrs.

Full Marks: 70

Time : 20 min.

( PART-A: Objective )

Marks : 20

*Choose the correct answer from the following:*

1X20=20

- Which of the following is a method to measure the National Income?
  - Expenditure method
  - Income method
  - Product method
  - All of the above
- Macroeconomics became popular after-----
  - Great depression of 1929- 33
  - 1972-73
  - 1996- 97
  - 2006- 07
- What are the tools of macroeconomics?
  - Monetary Policy
  - Fiscal Policy
  - Income Policy
  - All of the above
- Which of the following is the correct term for calculating National Income at constant prices?
  - Current income
  - Domestic income
  - Real income
  - None of the above
- Which of the following is the actual definition of transfer payments?
  - Transfer payments refer to the payments made as compensation to the employees within an organization.
  - Transfer payments refer to the payments made to workers on transferring from one job to another
  - Transfer payments refer to the payments made without any exchange of goods and services
  - None of the above
- Which of the following is true for Disposable Income?
  - Disposable Income is the difference between Private Income and Indirect Taxes.
  - Disposable Income is the difference between Personal Income and Indirect Taxes
  - Disposable Income is the difference between Private Income and Direct Taxes
  - Disposable Income is the difference between Personal Income and Direct Taxes
- What is the consumption of Fixed Capital known as?
  - Depreciation
  - Capital Formation
  - Investment
  - All of the above

8. Out of the following, which can have a value more than one?  
 a. MPC  
 b. APC  
 c. APS  
 d. MPS
9. Break-even point is achieved when:  
 a. National Income = Consumption  
 b. Consumption < saving  
 c. Saving = 0  
 d. National Income > Consumption
10. AD curve is a:  
 a. Horizontal straight line parallel to the X-axis  
 b. Positively sloped curve  
 c. Negatively sloped curve  
 d. Vertical straight line parallel to the Y-axis
11. Consumption function is the functional relationship between *\_\_ and \_\_*.  
 a. Consumption, Aggregate demand  
 b. Consumption, National Income  
 c. Aggregate Demand, Aggregate Supply  
 d. National Income, Private Income
12. *\_\_* refers to actual saving in an economy during a year.  
 a. Ex-ante saving  
 b. APS  
 c. MPS  
 d. Ex-post saving
13. AD curve starts:  
 a. From the origin  
 b. Point Below the origin  
 c. Point above the origin  
 d. None of these
14. The LM curve  
 a. is vertical  
 b. slopes downward.  
 c. is horizontal.  
 d. slopes upward.
15. The steepness of IS curve depends on---  
 a. the elasticity of investment demand curve;  
 b. the size of the multiplier;  
 c. demand for money  
 d. both a & b
16. The LM curve will shift down when the  
 a. price level rises.  
 b. expected inflation declines.  
 c. real money demand declines.  
 d. nominal money supply declines
17. The term business cycle refers to -  
 a. fluctuations in aggregate economic activity over time.  
 b. ups and down in the production of goods  
 c. increasing unemployment  
 d. declining savings
18. Depression is characterized by  
 a. unprecedented level of underemployment  
 b. Drastic fall in income  
 c. Drastic fall in output and employment  
 d. All the above



19. Which out of the following is phenomenon that leads to Demand-Pull Inflation?
- a. It is a situation when aggregate demand in an economy outpaces aggregate supply
  - b. It is a situation of persistent rise in inflation along with dip in growth and increase in unemployment
  - c. It is a situation caused by an increase in prices of inputs like labour, raw material etc
  - d. It is a situation when a nation experiences very high and accelerating inflation.
20. The Baumol-Tobin analysis suggests that
- a. velocity is relatively constant.
  - b. the transactions component of the demand for money is negatively related to the level of interest rates.
  - c. the speculative motive is nonexistent.
  - d. both (a) and (b) of the above are true
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**( PART-B : Descriptive )**

Time: 2 HRS 40 MINS

Marks : 50

[ Answer question no.(1) & any four (4) from the rest ]

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|----|---|-------|
| 1. | Explain three sector model of circular flow of income.                          | 10    |
| 2. | a. What are the differences between microeconomics and macroeconomics?          | 4     |
|    | b. Explain final goods, intermediate goods and capital goods.                   | 6     |
| 3. | a. Explain Say's Law of market with assumptions.                                | 6     |
|    | b. Discuss the principle effective demand with AD and AS.                       | 4     |
| 4. | a. Elaborate the derivation IS curve.   | 4     |
|    | b. Explain functioning of investment multiplier with schedule and diagram.      | 6     |
| 5. | a. Explain Demand-Pull and Cost-Push inflation.                                 | 6     |
|    | b. What is the Keynesian approach for demand for money?                         | 4     |
| 6. | a. How to measure inflation in the economy? Explain.                            | 6     |
|    | b. What are the causes of inflation?  | 4     |
| 7. | a. What are the main determinants of money supply?                              | 4     |
|    | b. Explain different Cambridge equations of quantity demand for money in brief. | 6     |
| 8. | a. Elaborate Fiscal and Monetary policy with example.                           | 2+4=6 |
|    | b. Write note on recent Demonetization in India.                                | 4     |

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