

2015

(4th Semester)

ECONOMICS

Paper No. : Eco-401

(**Macroeconomics—II**)

Full Marks : 70

Pass Marks : 45%

Time : 3 hours

(PART : B—DESCRIPTIVE)

(*Marks : 45*)

*The figures in the margin indicate full marks
for the questions*

1. Define money. Discuss, in detail, the primary and secondary functions of money. 1+8=9

Or

Explain Fisher's equation of exchange. Why were its assumptions considered unrealistic by Keynes? 6+3=9

2. What is a commercial bank? Discuss in detail the functions of a commercial bank. 1+8=9

Or

How is credit directed and controlled by the Central Bank? Discuss the limitations of bank rate policy. 3+6=9

3. Discuss the factors determining the money supply in an economy. 9

Or

Explain the derivation of the size of the money multiplier.

4. Distinguish between demand-pull and cost-push inflation. What are the main causes of inflation in developing countries? Explain. 4+5=9

Or

Define inflation. Explain its effect on different groups of people in the economy. 1+8=9

5. What according to Hicks determines business cycle? Explain with the help of a diagram. 9

Or

Critically examine Keynes view on trade cycles.

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ECONOMICS

Paper No. : Eco-401

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(PART : A—OBJECTIVE)

(Marks : 25)

*The figures in the margin indicate full marks for the questions***SECTION—I**

(Marks : 15)

A. Put a Tick (✓) mark against the correct answer in the brackets provided : 1×10=10

1. The cash balance approach considers the demand for money as a

(a) medium of exchange ()

(b) store of value ()

(c) unit of account ()

(d) standard of deferred payment ()

2. Keynes in his theory of money and prices establishes

(a) a direct and proportional relationship between quantity of money and prices ()

(b) an indirect and proportional relationship between quantity of money and prices ()

(c) an indirect and non-proportional relationship between quantity of money and prices ()

(d) a direct and non-proportional relationship between quantity of money and prices ()

3. Which of the following is not a function of the Central Bank?

(a) Accepting deposits from the public ()

(b) Managing exchange rates ()

(c) Controlling credit ()

(d) Issuing currency notes ()

4. The magnitude of expansion of deposits by the banking system depends on the
- (a) SLR ()
 - (b) CRR ()
 - (c) interest rates ()
 - (d) None of the above ()
5. High-powered money refers to the
- (a) commercial bank reserves ()
 - (b) currency with the public ()
 - (c) excess reserves ()
 - (d) All of the above ()
6. Phillips curve shows the trade-off between unemployment and inflation and it states that
- (a) unemployment is preceded by inflation ()
 - (b) there is an inverse relationship between inflation and unemployment ()
 - (c) the wage rate is independent of the rate of unemployment ()
 - (d) None of the above ()

7. During deflation, the debtors are

- (a) gainers ()
- (b) losers ()
- (c) not affected ()
- (d) None of the above ()

8. Money multiplier is the degree to which money supply is expanded as a result of

- (a) increase in interest rate ()
- (b) increase in high-powered money ()
- (c) increase in bank rate ()
- (d) increase in investment ()

9. The phrase 'business cycle' refers to the pattern of fluctuations in

- (a) the stock market ()
- (b) employment ()
- (c) real output, employment and price level ()
- (d) unemployment ()

10. According to Hawtrey, trade cycle is caused by

- (a) expansion and contraction of investment ()
- (b) expansion and contraction of money ()
- (c) increase and decrease in the rate of interest ()
- (d) only (a) and (b) ()

B. Indicate *True (T)* or *False (F)* by a Tick (✓) mark :

1×5=5

1. According to the cash transaction approach, any change in the quantity of money produces an exactly proportionate change in the price level.

(T / F)

2. The difference in lending and borrowing rates of interest enables banks to make profit.

(T / F)

3. M4 is the most liquid form of money.

(T / F)

4. Increasing tax rates is an effective measure for controlling inflation.

(T / F)

5. The accelerator describes the relation between an increase in income and the resulting increase in investment.

(T / F)

SECTION--II

(Marks : 10)

C. Write short notes on any *five* of the following :

2×5=10

1. Cambridge Cash Balance approach to demand for money

2. Lender of the last resort

3. Monetary measures to control inflation.

4. RBI's measures of money supply

5. Causes of trade cycles

6. Fiscal policy

7. Open market operations
