

2018

( 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. Critically examine the cash balance approach to demand for money. 9

Or

Explain how Keynes's reformulated quantity theory of money is superior to the original quantity theory of money. Examine the limitations of the Keynesian theory. 5+4=9

8L/420a

( Turn Over )

2. Why is the Reserve Bank of India known as the apex monetary authority? Discuss the functions of Central Bank. 2+7=9

Or

Explain the credit creation process of commercial banks. 9

3. Define high powered money. Explain the determinants of the size of the money multiplier. 2+7=9

Or

Explain RBI's approach towards defining the determinants of money supply in India. 9

4. Explain the causes of inflation and point out some of the measures to control it. 5+4=9

Or

Explain the relationship between unemployment and inflation according to Phillips curve. 9

5. Explain Keynes's view on occurrence of trade cycles. 9

Or

Explain Hawtrey's monetary theory of trade cycle. 9

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Subject Code : Ba/Eco-401

Booklet No. **A** 2272

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4th Semester End Term  
Examination, 2018  
  
Subject .....

Paper .....

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4th Semester End Term  
Examination, 2018

Roll No. ....

Regn. No. ....

Subject .....

Paper .....

DESCRIPTIVE TYPE

Booklet No. B .....

**INSTRUCTIONS TO CANDIDATES**

1. The Booklet No. of this script should be quoted in the answer script meant for descriptive type questions and vice versa.
2. This paper should be ANSWERED FIRST and submitted within 1 (one) Hour of the commencement of the Examination.
3. While answering the questions of this booklet, any cutting, erasing, overwriting or furnishing more than one answer is prohibited. Any rough work, if required, should be done only on the main Answer Book. Instructions given in each question should be followed for answering that question only.

Signature of  
Scrutiniser(s)

Signature of  
Examiner(s)

Signature of  
Invigilator(s)



2018

( 4th Semester )

**ECONOMICS**

Paper No. : Eco-401

**( Macroeconomics—II )**

**( 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. According to Fisher's equation, an increase in the quantity of money lead to

(a) a decrease in the price-level (     )

(b) an increase in the price-level (     )

(c) a proportionate increase in the price-level (     )

(d) None of the above (     )

2.  $PT = MV$  is known as

- (a) the equation of balance ( )
- (b) the equation of exchange ( )
- (c) the equation of transaction ( )
- (d) None of the above ( )

3. At times of inflation, it is likely that the Central Bank will

- (a) raise the CRR % ( )
- (b) lower the CRR % ( )
- (c) keep the CRR % unchanged ( )
- (d) Either (b) or (c) ( )

4. During economic depression, under open market operations

- (a) the Central Bank becomes purchaser of securities ( )
- (b) the commercial banks become sellers of securities ( )
- (c) Both (a) and (b) ( )
- (d) Neither (a) nor (b) ( )

5. The narrowest measure of money supply, according to the RBI's classification is

(a)  $M_1$  ( )

(b)  $M_2$  ( )

(c)  $M_3$  ( )

(d)  $M_4$  ( )

6. Money performs its 'store of value' function better if its value

(a) remains stable ( )

(b) keeps fluctuating ( )

(c) keeps falling ( )

(d) keeps increasing ( )

7. During inflation, fixed income earners are

(a) the losers ( )

(b) the gainers ( )

(c) not affected ( )

(d) None of the above ( )

8. During inflation, public expenditure should be

- (a) expanded ( )
- (b) contracted ( )
- (c) not affected ( )
- (d) None of the above ( )

9. In a business cycle, peak is followed by

- (a) expansion ( )
- (b) trough ( )
- (c) recession ( )
- (d) None of the above ( )

10. The concept of supermultiplier is found in the theory of business cycle given by

- (a) Keynes ( )
- (b) Hawtrey ( )
- (c) Both (a) and (b) ( )
- (d) Neither (a) nor (b) ( )



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

1×5=5

1. According to Keynes demand for money is liquidity preference.

( T / F )

2. Bank rate policy is a qualitative credit control measure.

( T / F )

3. Money supply includes interbank deposits.

( T / F )

4. Stagflation means stagnation in the economy at time of deflation.

( T / F )

5. Hick's theory of trade cycle believes multiplier and accelerator are opposing forces.

( T / F )



SECTION—II

( Marks : 10 )

C. Write briefly on any *five* of the following :

2×5=10

1. Primary functions of money

( 7 )

2. Different types of deposits accepted by commercial banks

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3. Definition of supply of money



4. Effect of inflation of distribution

( 10 )

5. Demand pull inflation

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6. Concept of multiplier

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7. Nature of trade cycles

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