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SEM - II

SUB - macro Economics concepts & Applications

Q.P. Code :09716

[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.

- Q.1 A. "Equilibrium level of income and output is determined by the interaction of aggregate demand and aggregate supply function". Discuss. 08
 B. Examine keynes' concept of inflationary gap. What causes inflationary gap? 07
 OR
 C. Bring out the relationship between inflation and unemployment in the short run. 07
 D. Explain the trade-off between inflation and unemployment in the long run with the help of Phillip's curve. 08
- Q.2 A. Explain goods market equilibrium with the help of IS function. What causes shift in the IS function? 08
 B. Explain money market equilibrium and derive LM function. What determines the slope of LM function? 07
 OR
 C. Examine the effect of increase in government spending and tax rates on income and interest rates in the IS-LM model. 08
 D. Bring out the effect of monetary policy on income and interest rates in the IS-LM model. 07
- Q.3 A. Discuss expenditure changing policies to correct disequilibrium in the balance of payments. 08
 B. Discuss the right policy mix for correcting internal and external disequilibrium with the help of Mundell- Fleming model. 07
 OR
 C. Explain meaning of devaluation and revaluation. Examine the elasticity and absorption approaches. 08
 D. Examine the J-curve phenomenon following devaluation or depreciation of the currency. 07
- Q.4 A. Select the correct answer and rewrite the following statements: 07
 (i) The total money value of goods and services produced by the nationals during a given year is known as ____
 a) NDP
 b) GNI
 c) GDP
 d) None of the above
 (ii) In developing countries measurement of national income involves problems like ____
 a) Prevalence of non-monetized sector
 b) Lack of adequate statistical data
 c) Lack of proper accounting practices
 d) All of the above

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- (iii) Gross Domestic Product in an open economy includes _____
- $C+I+G+X$
 - $C+I+G+(X+M)$
 - $C+I+G+(X-M)+(R-P)$
 - None of the above
- (iv) GDP deflator indicates _____
- Nominal progress in the economy
 - Real progress in the economy
 - Rate of deflation in the economy
 - None of the above.
- (v) Real interest rate explains changes in _____
- Purchasing power
 - Money income
 - Rate of inflation
 - None of the above
- (vi) India ranks among _____
- Low human development group
 - High human development group
 - Very high human development group
 - Medium human development group
- (vii) GII Measures gender disparities in _____
- Reproductive health
 - Empowerment
 - Labour market participation
 - All of the above

B. Validate the following statements:

08

- GDP includes income earned by nationals living abroad.
- GDP deflator is used to work out real GDP.
- Capital inflows are due to high real interest rate in a country.
- Disempowerment of women will improve GDI of a country.

OR

Write Short notes on any three:

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- Income and expenditure methods of measuring national income
- HDI and its limitations
- Determinants of aggregate demand
- Applicability of IS-LM in India for the period 1995-96 to 2005-06
- Effect of tight money policy on the balance of payments