

TB153270A

Reg. No:

Name:

B. A. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2016

SEMESTER III - CORE COURSE (ECONOMICS)

EC3B03B - PRINCIPLES OF MACRO ECONOMICS

Time: Three Hours

Maximum Mark: 80

PART A

I. Answer all questions. Each question carries 1 mark

1. State Say's Law of Market
2. What do you mean by Wage rigidity?
3. Define Personal disposable income
4. Explain Exogenous variable
5. Define Effective demand
6. What is Balanced Budget Multiplier?

(6 x 1 = 6)

PART B

II. Answer any seven of the following questions. Each question carries 2 marks

7. Distinguish between stock and flow variable
8. State Keynesian psychological law of consumption
9. What is Keynesian Cross?
10. Explain National Income at current and constant prices
11. Explain Liquidity trap
12. What is MPS?
13. What do you mean by investment multiplier?
14. Explain Speculative demand for money
15. Define operating surplus and write its components
16. Explain foreign trade multiplier

(7 x 2 = 14)

PART C

III. Answer any five of the following questions. Each question carries 6 marks.

17. Explain different types of macroeconomic variables
18. Briefly explain Classical dichotomy
19. Explain the working of investment multiplier
20. Explain Fisher's Quantity theory of money with assumptions and criticisms
21. What are the methods of measuring national income in developing countries?
22. What are the factors influencing consumption?
23. Explain Keynesian theory of demand for money
24. Given that national income is Rs.80 crore and consumption expenditure is Rs.64 crore, find out the average propensity to save? When income rises to Rs.100 crore and

consumption expenditure rises to Rs.78 crore, what will be the average propensity to consume and marginal propensity to consume?

(5 x 6= 30)

PART D

IV. Answer any two of the following questions. Each question carries 15 marks.

25. Explain the classical theory of income and employment determination
26. What is consumption function? Explain various concepts of consumption function with numerical examples
27. Distinguish between Pigou effect and Keynesian effect?
28. In an economy, $S = -100 + 0.6Y$ is the saving function, S is saving and Y is national income. If investment expenditure is Rs.1100. Calculate
 - (i) Equilibrium level of National Income
 - (ii) Consumption expenditure at equilibrium level of National Income.

(2 x 15 = 30)