TB145390A   Reg. No…….....……………

                                                  Name…………………......

B. A. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2016
SEMESTER V – ECONOMICS
ECO5PME – PRINCIPLES OF MACRO ECONOMICS

Time: Three Hours   **Maximum Marks: 80**

PART A

I.   Answer all questions. Each question carries 1 mark.

1. Stock and flow
2. MEC.
3. Liquidity Preference.
4. Endogenous and exogenous variable.
5. NNP at factor cost.
6. NEW.
7. Investment function.
8. Economic Model.
9. Consumption function
10. Personal Disposable Income

                                                  (10x1=10)

PART B

II.   Answer any eight questions. Each question carries 2 marks.

11. What is fallacy of composition in economics?
12. Fisher's Equation of Exchange.
13. What is Say's Law of Market?
14. Use the equation C= 5+0.8 Yd to construct a Schedule for consumption when Yd is 200, 300,350,475.
15. What is the difference between nominal and real GDP?
16. Explain effective demand
17. Explain the relationship between MPC and MPS. From the given table, find APS MP

APC	APS	Yd	C	MPC
1		500	500	
0.98		550	540	
0.97		600	580	
0.95		650	620	

18. State the leakages of multiplier
19. What is the equilibrium level of income if C= 250 + 0.6Y and I = 50 ?
20. Differentiate between consumer price index and producer price index

21. Calculate GDP from the following data. Gross National Product (GNP) 6378.0, payments of factor income to rest of the world = 131, receipts of factor income from rest of the world = 132

22. Foreign trade multiplier

<div align="right">(8x2=16)</div>

PART C

III.   Answer any six questions. Each question carries 4 marks.

23. State GDP as an indicator of economic welfare
24. What is investment multiplier?
25. Explain Neutrality of Money and Classical Dichotomy
26. Explain cash balance approach of quantity theory of money
27. Explain Keynesian revolution in macroeconomics
28. Discuss Keynesian analysis on wage price rigidity
29. What are the difficulties of measuring national income?
30. Explain the factors for the leakage of multiplier effect
31. Explain liquidity preference theory of interest.

<div align="right">(6x4=24)</div>

PART D

IV.   Answer any two questions. Each question carries 15 marks.

32. Critically explain Classical theory of employment and output determination.
33. Explain two sector and three sector income determination Models of Keynes.
34. Explain various methods of measuring national income.
    What are problems in measuring the national income of India?
35. Explain psychological law of consumption and explain the factors influencing Consumption function

<div align="right">(2x15=30)</div>