Duration: 02 Hours   **Marks**: 80

Instructions: 1.All questions are compulsory.

2. The sub-questions in Q I and Q II are to be answered in 100 words each.

3. Questions carrying 12 Marks are to be answered in 400 words each.

4. Draw diagrams wherever necessary.

5. The use of a simple calculator is permitted.

Q I) Answer *any four* of the following: **4x4=16**

(i) What is meant by double counting?

(ii) From the following data, calculate national income by using the income method.

Sr. No.	Items	Rupees in crores
1.	Compensation of employees	600
2.	Mixed income of self employed	400
3.	Net factor income from abroad	-20
4.	Profits	220
5.	Rent	90
6.	Interest	100
7.	Net indirect tax	165

(iii) Briefly explain any two macroeconomic issues.

(iv) In an economy, investment expenditure increases by ₹ 800 crore and MPC is 0.6. What is the value of the multiplier? Calculate the total increase in income and consumption expenditure.

(v) Distinguish between autonomous consumption and induced consumption.

(vi) Explain the concepts of marginal propensity to save and average propensity to save.

Q II) Answer *any four* of the following: **4x4=16**

(i) How does the government affect aggregate demand?

(ii) What are the components of the capital account of the balance of payments?

(iii) What is the impact of an increase in net exports on equilibrium GDP?

(iv) Explain the concept of the money multiplier.

(v) What are the secondary functions of money?

(vi) Explain the relationship between interest rates and bond prices.

Q III A) Explain the expenditure approach of measuring GDP.   **12**

OR

B) Explain the concept of GDP. How does it differ from GNP?   **12**

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Q IVA) Explain the determination of equilibrium GDP in a two-sector economy.   **12**

<div align="center">**OR**</div>

B) Explain the concept of consumption function with the help of a suitable diagram. **12**

Q VA) Explain the working of the government spending multiplier. **12**

<div align="center">**OR**</div>

B) Suppose that the government of Country Y faces a budget deficit with fixed
government expenditures of G = 200 and fixed taxes of T = 150. Assume that the
consumption function is as follows: C = 100 + 0.8 (Y – T).
Suppose further that investment spending is fixed at 100.
 (i) Calculate the equilibrium level of GDP.
 (ii) What is the marginal propensity to consume and marginal propensity to save in
   Country Y?
 (iii) What is the value of the multiplier?
 (iv)Suppose government spending increases to 300. What will be the new equilibrium
   level of income? **12**

QVI A) Critically examine the quantity theory of money. **12**

<div align="center">**OR**</div>

B) Explain the methods adopted by the central bank to control the money supply in an
economy. **12**