

Time: 2 Hours

Total Marks: 60

**N.B. (1) All questions are compulsory.**

**(2) Figures to the right indicate full marks**

**(3) Draw neat diagrams wherever necessary**

1. "The intersection of the aggregate supply function and aggregate demand function determines the equilibrium level of income and output". Explain. (15)

**OR**

(a) Explain the concept of inflationary gap. (8)

(b) Discuss the trade-off between inflation and unemployment in the short run. (7)

2. (a) Derive IS curve and bring out the factors that determine the slope of the curve. (8)

(b) Discuss the factors that determine the slope and shifts in LM curve. (7)

**OR**

(c) Explain the effects of real influences on income and interest rate under IS-LM model. (8)

(d) Bring out the effects of monetary policy on income and interest rate in IS-LM model. (7)

3. (a) Explain the concept of disequilibrium in balance of payments. (8)

(b) Discuss expenditure reducing policies to reduce deficit in balance of payments. (7)

**OR**

(c) Explain the adjustments in BOP with the help of monetary policy. (8)

(d) Discuss Mundell Fleming model. (7)

4. (a) Choose the right option from the following (7)
- Under \_\_\_\_\_ method of measuring national income, consumption is taken into consideration  
a. Income    b. Dividend    c. Expenditure    d. Interest
  - When depreciation is deducted from GNP, the net value is \_\_\_\_\_.  
a. NDP    b. NNP    c. disposable income    d. borrowed income
  - Real interest rate explains us a change in \_\_\_\_\_.  
a. Money income    b. Inflation rate    c. Real income    d. Purchasing power
  - Human development report is released by \_\_\_\_\_.  
a. UNCTAD    b. World Bank    c. IMF    d. UNDP
  - The value of national income adjusted for inflation is called \_\_\_\_\_.  
a. Per capita income    b. Disposable income    c. Inflation rate    d. Real national income
  - Countries with HDI value below 0.5 are considered to have a \_\_\_\_\_ level of human development.  
a. High    b. Very high    c. Moderate    d. Low
  - Purchasing Power Parity theory is related with \_\_\_\_\_.  
a. Interest rate    b. Bank rate    c. Wage rate    d. Exchange rate

(b) Validate the following statements: (8)

- In national income estimate capital gains are added.
- National income at the current price is real income.
- India is in the group of low developed countries.
- A subsidy makes market price less than factor cost.

OR

4. Write short note on any three of the following.

(15)

- a) Expenditure method of measuring National income
- b) GDP deflator.
- c) Long run Phillips curve,
- d) IS-LM in India.
- e) J-Curve effect

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