

B.A. (Honours) Examination, 2022
Semester - II (CBCS)
GEC-2 (Economics)
Introductory Macroeconomics

Time: Three Hours

Full Marks: 60

*Questions are of value as indicated in the margin.
Attempt any **FOUR** questions.*

1. What do you understand by National Income? What are the methods for measuring National Income of a country? Discuss the Value Added Method in this context. What precautions should be taken while measuring National Income through Value Added Method?
[2+3+7+3]
2. Explain why Classical aggregate supply curve is vertical in nature. 15
3. What do you understand by the Quantity Theory of Money (QTM)? Explain Fisher's version of QTM. [5+10]
4. Discuss the output adjustment process in the Simple Keynesian Model. In this context mention the justification of the assumption that marginal propensity to consume is less than one. [10+5]
5. (a) In the Keynesian cross model, assume that the consumption function is given by $C=200+0.75(Y-T)$ where government taxes (T) is 100 and C is 800.
(i) Find the equilibrium income.(ii) If government taxes increases to 200, what is the new equilibrium income?(iii) What level of government taxes is needed to achieve an income of 2000? [3+5+7]
6. What is Consumption function? What are the APC and MPC? What factors other than income are likely to be most important in determining consumption? [3+5+7]
7. How do the Commercial banks create credit? What are the limitations of credit creation? [10+5]
8. Write Short Notes on [any two] [2 x7.5]
 - a) Paradox of thrift
 - b) Cash Reserve Ratio
 - c) Repo Rate & Reverse Repo Rate