

**B. A. DEGREE END SEMESTER EXAMINATION - OCTOBER 2019****SEMESTER –5: ECONOMICS (CORE COURSE)****COURSE: 15U5CRECO08 – PRINCIPLES OF MACRO ECONOMICS**

*(Common for Regular 2017 Admission & Improvement 2016/Supplementary 2016 /2015 Admission)*

Time: Three Hours

Max. Marks: 75

**PART A – Very Short Answers**

*Answer **all** questions in one or two sentences.*

1. Differentiate between a stock and a flow
2. Disposable personal income
3. Saving function
4. MPS
5. Money Illusion
6. MEC
7. Gross and net investment
8. Green GDP
9. Aggregate Demand
10. Public and private investment (1 x 10 = 10)

**PART B – Short Answers**

*Answer **any EIGHT** of the following, in four or five sentences*

11. Write a short note on nominal GDP and Real GDP
12. What is Say's law
13. Write a short note on the a) Average Propensity to consume b) Marginal Propensity to Consume
14. Define Multiplier
15. What are the factors influencing consumption
16. Define Accelerator
17. Distinguish between Autonomous and induced investment
18. Explain GNP and GDP
19. What are economic models
20. Discuss any two criticisms of Keynes against the classical theory (2 x 8 = 16)

**PART C – Short essays**

*Answer **any FIVE** of the following, not exceeding one page.*

21. Describe the circular flow of income in a two sector economy
22. Discuss Keynes' Psychological law of consumption
23. Describe the paradox of thrift graphically

24. What is Duesenberry's Demonstration effect? Explain
25. Explain the Ratchet effect
26. Explain the theories of investment function
27. If the consumption function is  $C=70 + 0.8 Y$  and investment is  $\bar{I}=70$ , find
  - a) equilibrium level of income
  - b) equilibrium level of consumption and saving (5 x 5 = 25)

**PART D – Long Essays**

*Write **an essay** on **two** of the following.*

28. How are the equilibrium levels of employment, real wage rate and output determined in the Classical theory? Explain.
29. Show the determination of equilibrium income and output in the Keynesian theory with the help of a graphical approach
30. Describe the circular flow of income in a four-sector economy
31. Briefly explain the different methods of national income estimation (12 x 2 = 24)

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