

**B. A. DEGREE END SEMESTER EXAMINATION OCTOBER/NOVEMBER 2018****SEMESTER –5: ECONOMICS (CORE COURSE)****COURSE: 15U5CRECO08 – PRINCIPLES OF MACRO ECONOMICS***(Common for Regular 2016 admission & Supplementary 2015 admission)*

Time: Three Hours

Max. Marks: 75

**PART A – Very Short Answers***Answer **all** questions in one or two sentences.*

1. Aggregate Demand
2. GDP
3. Say's law
4. Marginal propensity to consume
5. Saving function
6. Disposable income
7. Accelerator
8. Duesenberry effect
9. Induced investment
10. Marginal efficiency of capital (1 x 10 = 10)

**PART B – Short Answers***Answer **any EIGHT** of the following, in four or five sentences*

11. Differentiate between actual GNP and Potential GNP
12. Discuss the nature and scope of macro economics
13. Define Effective demand
14. Explain Macro statics and Macro Dynamics
15. Explain the difference between APS and MPS
16. Define Multiplier
17. Define MEI
18. Differentiate between micro economics and macro economics
19. Explain Green GNP
20. What are stock and flow variables (2 x 8 = 16)

**PART C-Short essays***Answer **any FIVE** of the following, not exceeding one page.*

21. Explain the determinants of propensity to consume

22. Suppose the consumption function is  $C=50 + 0.60 Y$  and the investment is  $\bar{I} = 80$  , then
- Find the equilibrium level of income
  - Find the equilibrium level of consumption
  - Find the equilibrium level of saving
  - Show that at the equilibrium level, aggregate demand equals aggregate supply and saving leakages equals investment injections
23. Explain Relative income hypothesis
24. Discuss the circular flow of income in a three sector system
25. Discuss the paradox of thrift graphically
26. Give the algebraic explanation to the determination of equilibrium income and output in the Keynesian theory?
27. Explain Keynes' psychological law of consumption (5 x 5 = 25)

#### **PART D – Long Essays**

*Write an **essay** on **any 2** of the following.*

28. Explain the various theories of consumption
29. What is national income? Briefly explain the different methods of national income estimation and also highlights the limitations
30. Explain Classical theory of income and employment determination
31. Examine the Keynesian theory of investment (12 x 2 = 24)

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