IEC

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(4th Semester)

ECONOMICS

Paper No. : Eco–401

(Macroeconomics—II)

Full Marks : 70   *Pass Marks* : 45%

Time : 3 hours

(PART : B—DESCRIPTIVE)

(*Marks* : 45)

*The figures in the margin indicate full marks
for the questions*

1. "Money is what money does." Comment on this statement and state the functions of money.   2+7=9

Or

Critically examine the Fisher's equation of exchange.   9

2. Define commercial bank. Discuss the functions of commercial banks. 1+8=9

Or

Explain how bank rate and open market operations are useful to control the volume of credit in an economy. 4½+4½=9

3. Discuss the factors determining the money supply in an economy. 9

Or

Why do we need to measure money supply? What are the measures of money supply used by Reserve Bank of India? 2+7=9

4. Define inflation. What are various types of inflation? 1+8=9

Or

Explain how inflation affects different sectors of economy differently. 9

5. What are the characteristics of business cycles? Explain how business cycles can be controlled. 2+7=9

Or

Discuss Hicks' theory of trade cycle. How does it differ from Samuelson's model? 6+3=9

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(4th Semester)

ECONOMICS

Paper No. : Eco–401

(Macroeconomics—II)

(PART : A—OBJECTIVE)

(*Marks* : 25)

The figures in the margin indicate full marks for the questions

SECTION—I

(*Marks* : 15)

A. Put a Tick (✓) mark against the correct answer in the brackets provided :   1×10=10

1. In the Fisherian equation, demand for money has been represented by

   (a) P   (   )

   (b) T   (   )

   (c) PT   (   )

   (d) MV   (   )

2. Value of money varies directly with the

(a) demand for money ( )

(b) supply of money ( )

(c) purchasing power of money ( )

(d) price level ( )

3. Which of the following methods of credit control is more direct and powerful?

(a) Bank rate policy ( )

(b) Open-market operation ( )

(c) Variable cash reserve ratio ( )

(d) Fixation of margin requirements ( )

4. Bank rate implies

   (a) the interest rate charged by banks on loans ( )

   (b) rediscount rate charged by Central Bank from other banks on their bills ( )

   (c) interest rate paid by banks on deposits ( )

   (d) rate of interest on inter-bank transactions ( )

5. Which one of the following is not a secondary function of money?

   (a) Measure of value ( )

   (b) Store of value ( )

   (c) Transfer of value ( )

   (d) Standard of deferred payments ( )

6. Deposit multiplier depends upon

   (a) reserve ratio ( )

   (b) cash reserves ( )

   (c) currency-deposits ratio ( )

   (d) reciprocal of the percentage reserve ratio ( )

7. During the period of inflation, the debtors are

(a) gainers ( )

(b) losers ( )

(c) Not affected ( )

(d) None of the above ( )

8. Bottleneck inflation is a situation which sets in

(a) after the point of full employment ( )

(b) before the point of full employment ( )

(c) after imposing price controls ( )

(d) during war period ( )

9. During the downward phase of a trade cycle, the Central Bank will

(a) increase the cash reserve requirement ( )

(b) lower down the cash reserve requirement ( )

(c) not change cash reserve requirement ( )

(d) lower interest rate ( )

10. The innovation theory of trade cycle is associated with the name of

   (a) J. Schumpeter ( )

   (b) J. M. Keynes ( )

   (c) A. C. Pigou ( )

   (d) R. G. Hawtrey ( )

B. Indicate *True (T)* or *False (F)* by a Tick (✓) mark :

1×5=5

1. According to the Cambridge equation, the relationship between the quantity of money and the level of price is neither direct nor proportionate.

(T / F)

2. Banks can create credits by advancing loans and also by purchasing securities.

(T / F)

3. The currency issued by the central bank is called high powered money.

(T / F)

4. Disinflation means decline in the rate of inflation.

(T / F)

5. Boom is the last phase of a trade cycle.

(T / F)

SECTION—II

(*Marks* : 10)

C. Answer/Write on briefly any *five* of the following :

2×5=10

1. Define money.

2. Explain Central Bank's function as 'lender of last resort'.

3. Why is M_3 considered as broad money?

4. What is open inflation?

5. Keynes view on trade cycle

6. Distinguish between ordinary money and high-powered money.

7. Concept of accelerator

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