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M.A. (CBCS) DEGREE EXAMINATION,  
NOVEMBER 2016.

First Semester

Economics

MACRO ECONOMIC THEORY AND ANALYSIS — I

(For those who joined in July 2016 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer.

1. In the estimation of national income which of the following is not included?  
(a) Rent (b) Interest  
(c) Dividends (d) Transfer payments
2. The difference between GNP and GDP is equal to  
(a) Gross foreign investment  
(b) Net foreign investment  
(c) Net export  
(d) Net factor income from abroad

3. The term 'Social accounting' was first introduced into economics by  
(a) Marshall (b) Hicks  
(c) Keynes (d) Cooper
4. The point of interaction of aggregate supply curve and aggregate demand curve is known as the point of  
(a) Excess demand  
(b) Deficient demand  
(c) Effective demand  
(d) Aggregate demand
5. The life cycle hypothesis of consumption function is propounded by  
(a) M. Friedman  
(b) Duesenberry  
(c) Keynes  
(d) Ando and Modigliani
6. If the long-run consumption function is proportional, then  
(a)  $MPC < APC$  (b)  $MPC = APC$   
(c)  $MPC > APC$  (d)  $MPC = APC = 1$





7. Financial theory of investment is propounded by
  - (a) Hicks
  - (b) Koyak
  - (c) Duesenberry
  - (d) Jorgenson
8. According to Swedish approach, which of the following is correct?
  - (a) Ex-ante saving and ex-ante investment are always equal
  - (b) Ex-post saving and export investment are always equal
  - (c) Ex-ante saving equals ex-post investment
  - (d) Ex-post saving equals ex-ante investment
9. MEC is the ratio between
  - (a) the market rate of interest and the prospective yield of the capital asset
  - (b) the prospective yield of the capital asset and the market rate of interest
  - (c) the market rate of interest and the supply price of the capital asset
  - (d) the prospective yield of the capital asset and the supply price of the capital asset
10. Slutsky's theory in consumption theory relates to
  - (a) Income effect
  - (b) Substitutional effect
  - (c) Complementary of goods
  - (d) Both (a) and (b)

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) Explain different types of lags.  
Or  
(b) Distinguish between Ex-ante and Ex-post variables. Give examples.
12. (a) Explain the measurement of national income through income method and value added method.  
Or  
(b) Examine the problems in the measurement of national income.
13. (a) Examine the absolute income hypothesis.  
Or  
(b) Examine the permanent income hypothesis.
14. (a) Briefly discuss the finance theory of investment.  
Or  
(b) Explain the determinants of investment.





15. (a) Explain the features of business cycle and the measures to control it.

Or

- (b) Explain the concept of Philips curve.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) List out the basic concepts used in macro economics.

Or

- (b) Distinguish between dependent and independent variables and give examples from macro economics.

17. (a) Does National Income result in social welfare? Explain.

Or

- (b) Explain the circular flow of income in an economy. Explain the relationship between (i)  $NNP_{FC}$  and  $MNP_{MP}$ , (ii) MNP at current price and MNP at constant price.

18. (a) Explain Keynes psychological law of consumption and its implications.

Or

- (b) Explain the determinants of consumption function.

19. (a) Distinguish between MEC and MEI.

Or

- (b) Explain Tobin's quantity theory of investment.

20. (a) Explain the Keynesian theory of inflation.

Or

- (b) What is the marginal efficiency of capital and the factors affecting it?

