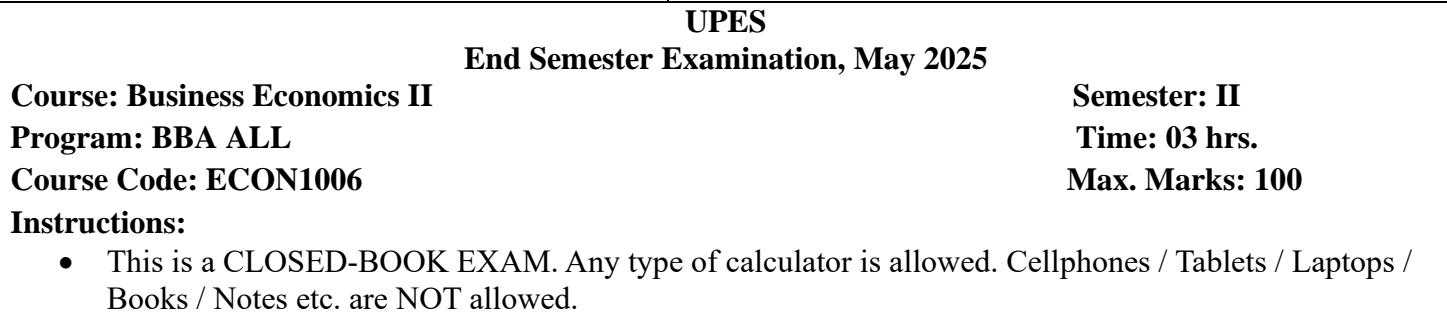


Enrolment No:

S. No.		Marks	CO
Q1.	<p>I. Which of the following is NOT a tool of monetary policy used by central banks?</p> <p>A. Open market operations B. Reserve requirements C. Interest rates D. Direct government spending</p> <p>II. Which of the following best describes the primary function of money?</p> <p>A. To regulate inflation B. To provide employment C. To serve as a medium of exchange D. To monitor fiscal policies</p> <p>III. The tax multiplier is given by:</p> <p>A. $-\text{MPC} / \text{MPS}$ B. $1 / \text{MPC}$ C. $1 / \text{MPS}$ D. $-1 / \text{MPC}$</p> <p>IV. According to classical economists, the economy always operates at</p> <p>A. Full employment B. Underemployment C. Overemployment D. Disequilibrium</p> <p>V. Cost-push inflation could arise due to-</p> <p>A. Oil price hike. B. Increased dearness allowance. C. Tight monetary policy. D. All of the above.</p>		CO1

	<p>VI. The CPI for “All Items” was 250.546 in April 2018, and 255.548 in April 2019. Over this period, the rate of inflation as measured by the rate of change of the CPI was</p> <p>A. 0.98%</p> <p>B. -1.96%</p> <p>C. 2.00%</p> <p>D. 0.50%</p>		
	<p>VII. The balanced budget multiplier refers to the effect on national income when?</p> <p>A. Government increases taxes only</p> <p>B. Government increases spending only</p> <p>C. Government increases both spending and taxes by the same amount</p> <p>D. Government balances exports and imports</p>		
	<p>VIII. In the circular flow of income, households provide _____ to firms.</p> <p>A. Goods and services</p> <p>B. Taxes</p> <p>C. Factors of production</p> <p>D. Subsidies</p>		
	<p>IX. In a three-sector economy, the government’s role includes:</p> <p>A. Only collecting taxes</p> <p>B. Only producing goods</p> <p>C. Taxation and government spending</p> <p>D. Only importing goods</p>		
	<p>X. Which of these is included in GDP?</p> <p>A. Sale of old car</p> <p>B. Illegal activities</p> <p>C. Production of new smartphones</p> <p>D. Housework by family members</p>		
<p>SECTION B</p> <p>4Qx5M= 20 Marks</p>			
Q2.	Critically examine the limitation of GDP as a measure of standard of living.		CO2
Q3.	What do you mean by tax multiplier?		
Q4.	Explain Classical views on the role of wage-price flexibility in income determination.		
Q5.	How does structural unemployment differ from frictional unemployment?		
<p>SECTION-C</p> <p>3Qx10M=30 Marks</p>			
Q6.	Discuss how the Classical theory of employment and output determination is an improvement over doctrine of mercantilism?		
<p>OR</p>			

	<p>For an economy the following consumption function is given: $C = 60 + 0.75 Y$.</p> <p>(a) If investment in a year is Rs. 35 crores, what will be the equilibrium level of income or output?</p> <p>(b) If full-employment level of income (i.e., level of potential output) is Rs. 460 crores, what investment is required to be undertaken to ensure equilibrium at full employment?</p> <p>Note: You must show each necessary step for all your calculations. Just writing the final answer would earn you a straight zero, even if you guessed it correct!</p>		CO3
Q7.	<p>An economy has an MPC of 0.75. The government increases spending by ₹1,200 crore and simultaneously increases taxes by ₹1,200 crore.</p> <p>a) What is the government spending multiplier?</p> <p>b) What is the tax multiplier?</p> <p>c) What is the net impact on income?</p> <p>d) Interpret the result.</p> <p>Note: You must show each necessary step for all your calculations. Just writing the final answer would earn you a straight zero, even if you guessed it correct!</p> <p style="text-align: center;">OR</p> <p>Describe psychological law of consumption with the help of diagram?</p>		
Q8.	<p>Which of the following situations correspond to cyclical unemployment, structural unemployment, frictional unemployment and exit from the labour force, and why?</p> <p>(a) Some of your friends just graduated from college and have been looking for jobs for the past five weeks.</p> <p>(b) Jaya lost her job as a biologist at a biotech company when the whole industry went into recession.</p> <p>(c) Mukesh, who used to be a taxi driver, stopped looking for a job three months after he lost his job.</p> <p>(d) Suresh has been working as a craftsman making cotton dolls. Now all kids want plastic dolls, and Suresh has been out of a job for the past six months.</p> <p>(e) Aditi, a high-tech engineer, just decided to quit her job in a start-up in Bangalore; she is being interviewed for a better-paid job in a multinational company.</p>		
SECTION-D 2Qx15M= 30 Marks			
Q9.	<p>What is Phillips curve? Explain the debate between Keynesians and monetarists with regard to Phillips curve. What consensus was reached ultimately?</p> <p style="text-align: center;">OR</p>		

	Critically examine the evolution of money from a barter system to modern digital forms. Discuss the implications of digital currencies for the future of monetary systems.		CO4																																	
Q10.	<p>What do inflation and inflation rate mean? Explain demand - pull inflation and cost-push inflation. Illustrate your answer with the help of diagram.</p> <p style="text-align: center;">OR</p> <p>a. Calculate the GDP deflator for each year in the table below. What is the rate of inflation from 2008 to 2010?</p> <table border="1" data-bbox="467 569 1036 774"> <tr> <th>Year</th><th>Nominal GDP (billions)</th><th>Real GDP (billions)</th><th>GDP deflator</th></tr> <tr> <td>2008</td><td>864.5</td><td>845.5</td><td></td></tr> <tr> <td>2009</td><td>882.6</td><td>851.9</td><td></td></tr> <tr> <td>2010</td><td>923.4</td><td>875.1</td><td></td></tr> </table> <p>b. Calculate the CPI for 2004 based on 2003 prices, also calculate the percent increase in price level from 2003 to 2004.</p> <table border="1" data-bbox="409 953 1140 1123"> <tr> <th>Year</th><th>Item</th><th>Price</th><th>Quantity</th></tr> <tr> <td rowspan="2">2003</td><td>Coffee</td><td>\$2.00</td><td>100 units</td></tr> <tr> <td>Scones</td><td>\$3.50</td><td>200 units</td></tr> <tr> <td rowspan="2">2004</td><td>Coffee</td><td>\$2.25</td><td>100 units</td></tr> <tr> <td>Scones</td><td>\$4.00</td><td>200 units</td></tr> </table> <p>Note: You must show each necessary step for all your calculations. Just writing the final answer would earn you a straight zero, even if you guessed it correct!</p>	Year		Nominal GDP (billions)	Real GDP (billions)	GDP deflator	2008	864.5	845.5		2009	882.6	851.9		2010	923.4	875.1		Year	Item	Price	Quantity	2003	Coffee	\$2.00	100 units	Scones	\$3.50	200 units	2004	Coffee	\$2.25	100 units	Scones	\$4.00	200 units
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