PG Odd Semester (CBCS) Exam., December—2018

ECONOMICS

(1st Semester)

Course No. : ECOCC–102

(Macroeconomic Analysis—I)

Full Marks : 70
Pass Marks : 28

Time : 3 hours

The figures in the margin indicate full marks for the questions

Answer **five** questions, taking **one** from each unit

Unit—I

1. What are the principal features of Keynesian macroeconomics? Elaborate. 14

2. Compare and contrast between classical and Keynesian approaches on the issue of determination of income and employment. 14

Unit—II

3. How is an aggregate demand curve derived? How is an aggregate supply curve derived? Show the attainment of macroeconomic equilibrium with the help of diagrams. 4+4+6=14

4. What is the meaning of shifting of AD curve? What factors are responsible for such shifts? Show the implications of shifting of AD curve for macroeconomic equilibrium with diagram. 4+3+7=14

Unit—III

5. Define consumption function. What improvements have been brought by Modigliani and Friedman to the traditional consumption function? Elaborate. 4+10=14

6. What is life cycle hypothesis? How does it diverge from traditional conceptions of consumption-income relationship? Discuss. 4+10=14

Unit—IV

7. *(a)* Explain briefly the components of investment. What are the motives behind inventory investment? 6+3=9

(b) Suppose the supply price of a capital good is ₹ 2,300. The good is expected to yield a return of ₹ 1,000 in the current year and ₹ 1,500 in the next year. Calculate marginal efficiency of capital (MEC). If the rate of interest is given as 15 5% per annum, what would be investment decision of a firm? 3+2=5

8. Discuss the acceleration principle of investment. How is flexible accelerator an improvement over simple accelerator? 8+6=14

UNIT—V

9. (a) The expected returns from investment on bond of two companies are given below :

Company	*Expected Returns* (in ₹)			
A	20	5	0	100
B	50	75	30	10

Which bond involves a higher rise? 4

(b) How does an investor manage the risk of his portfolio? Discuss. 10

10. Discuss Patinkin's theory of demand for money emphasizing on the role of 'real balance effect'. 14

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