

## XII ECO. FULL MACRO ECONOMICS TEST

TIME: 1½ HOURS

M.M.: 40

1. Define money supply? 1
2. State one fiscal measure that can be used to reduce the gap between rich and poor. 1
3. Define the capital receipts of a government. 1
4. From the following data calculate Fiscal Deficit 1

| S.No | Item                | · in Billions |
|------|---------------------|---------------|
| 1    | Capital Receipt     | 68            |
| 2    | Revenue Expenditure | 160           |
| 3    | Interest Payment    | 20            |
| 4    | Borrowings          | 32            |
| 5    | Tax Revenue         | 50            |
| 6    | Non- Tax revenue    | 10            |

5. Estimate the value of ex-ante AD, when autonomous investment and consumption expenditure (A) is Rs. 50 crores, and MPS is 0.2 and level of income is Rs. 300 crores. 3

OR

Calculate Multiplier when MPC is  $\frac{4}{5}$  and  $\frac{1}{2}$ . From the calculations establish the relation between size of Multiplier and size of MPC?

6. Discuss the significance of 45 degree line in Keynesian Economics. 3
7. Elaborate 'economic growth' as objective of government budget. 4
8. Use following information of an imaginary country: 4

| Year         | 2014 – 2015 | 2015– 2016 | 2016 - 2017 |
|--------------|-------------|------------|-------------|
| Nominal GDP  | 6.5         | 8.4        | 9           |
| GDP deflator | 100         | 140        | 125         |

- i) For which year is real GDP and nominal GDP same and why?
  - ii) Calculate Real GDP for the given years. Is there any year for which Real GDP falls?
9. How will 'Reverse Repo Rate' and 'Open Market Operations' control excess money supply in an economy? 4

OR

Illustrate with the help of a hypothetical numerical example the process of credit creation.

10. a) Define Externality.

6

b) Find National Income from following using expenditure method.

|    |  | (in crores) |
|----|--|-------------|
| 1  | Current transfers from rest of the world | 50          |
| 2  | Net Indirect taxes                       | 100         |
| 3  | Net Exports                              | - 25        |
| 4  | Rent                                     | 90          |
| 5  | Private Final Consumption Expenditure    | 900         |
| 6  | Net Domestic Capital Formation           | 200         |
| 7  | Compensation of Employees                | 500         |
| 8  | Net Factor Income from Abroad            | - 10        |
| 9  | Government Final Consumption Expenditure | 400         |
| 10 | Profit                                   | 220         |
| 11 | Mixed Income of Self Employed            | 400         |
| 12 | Interest                                 | 230         |

OR

Will the following factor income be included in domestic factor income of India? Give reasons for your answer:-

- (i) Compensation of employees to the resident of Japan working in Indian embassy in Japan.
- (ii) Payment of fees to a Chartered Accountant by a firm
- (iii) Rent received by an Indian resident from Russian embassy in India.
- (iv) Compensation given by insurance company to an injured worker.

11. State whether the following statements are true or false. Give valid reasons for your answers. 6

- (i) Unplanned inventories accumulate when planned investment is less than planned saving.
- (ii) Deflationary gap exists when aggregate demand is greater than aggregate supply at full employment level.
- (iii) Average propensity to save can never be negative.

12. a) 'Devaluation and Depreciation of currency is one and the same thing'. Do you agree? How do they affect the exports of a country? 6

b) What is meant by 'official reserve transactions'? Discuss their importance in Balance of Payments.