

1st Copy.

**2/EH-16(ii) (Syllabus-2015)**

**2 0 1 6**

**( April )**

**ECONOMICS**

**( Elective/Honours )**

**SECOND PAPER**

**( Macroeconomics )**

*Marks : 75*

*Time : 3 hours*

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

**Answer five questions, taking at least  
one from each Unit**

**UNIT—I**

1. Briefly explain different methods of measuring national income. What difficulties do developing countries face in the calculation of national income? 9+6=15
2. Illustrate and explain the circular flow of income in a four-sector model. What are the leakages that are possible in such a model? 12+3=15

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UNIT—II

3. What is effective demand? Explain how aggregate demand and aggregate supply determine the level of employment. 3+12=15

4. Explain consumption function.

Distinguish between—

- (a) average propensity to consume (APC) and marginal propensity to consume (MPC);  
(b) average propensity to save (APS) and marginal propensity to save (MPS).

Prove that—

(i)  $APC + APS = 1$ ;

(ii)  $MPC + MPS = 1$ .

$3 + (4+4) + 4 = 15$

UNIT—III

5. How do commercial banks create credit? State the limitations that affect credit creation.

$10 + 5 = 15$

6. Briefly explain different types of inflation. Discuss the measures to control inflation.

$8 + 7 = 15$

D16/1432

( Continued )

( 3 )

UNIT—IV

7. What do you mean by a business cycle? Explain Hayek's theory of business cycle.

$5 + 10 = 15$

8. Distinguish between balance of payments and balance of trade. What are the causes of disequilibrium in the balance of payments? Give suggestions to correct unfavourable balance of payments. 4+6+5=15

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D16—8500/1432

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