2025/FYUG/ODD/SEM/ECODSM–301T/302T/423

FYUG Odd Semester Exam., 2025

ECONOMICS

(5th Semester)

Course No. : ECODSM–301T/302T

(Principles of Macroeconomics)

Full Marks : 70
Pass Marks : 28

Time : 3 hours

The figures in the margin indicate full marks for the questions

UNIT—I

1. Answer any *two* of the following questions : 2×2=4

(a) What is meant by 'money as a medium of exchange'?

(b) State Fisher's equation of exchange in the context of 'quantity theory of money'.

(c) Why is money supply considered a stock concept?

2. Answer any *one* of the following questions : 10

(a) Explain the quantity theory of money. How does it establish a relationship between money supply and price level? Critically examine its limitations. 4+3+3=10

(b) (i) What are the types of money?

(ii) What are the measures of money supply?

(iii) Discuss the significance of Keynes' liquidity preference theory in determining the interest rate.

UNIT—II

3. Answer any *two* of the following questions : 2×2=4

(a) Define credit creation.

(b) Why is the Central Bank called the 'lender of the last resort'?

(c) Mention two objectives of monetary policy.

4. Answer any *one* of the following questions : 10

(a) Explain how commercial banks create credit in the economy. What are its limitations? 6+4=10

(b) (i) What are the major functions of a Central Bank? 4

(ii) How do the credit control measures of the Central Bank influence inflation and employment in the economy? 6

UNIT—III

5. Answer any *two* of the following questions : 2×2=4

(a) What is meant by aggregate demand?

(Continued)

(b) Define investment multiplier.

(c) How does Say's law of market differ from the Keynesian view?

6. Answer any *one* of the following questions : 10

(a) Using the Keynesian model, explain how equilibrium level of income and employment are determined. What happens when aggregate demand falls short of aggregate supply? 6+4=10

(b) (i) State the main assumptions of the classical theory of employment. 4

(ii) Why did Keynes reject the classical view of full employment? 6

UNIT—IV

7. Answer any *two* of the following questions : 2×2=4

(a) What is stagflation?

(b) Distinguish between cost push and demand pull inflation.

(c) Why does inflation reduce the purchasing power of money?

8. Answer any *one* of the following questions : 10

(a) What are the major causes of inflation? How can monetary policy be used to control inflation? 5+5=10

(Turn Over)

(b) (i) Define unemployment.

(ii) How is unemployment measured in India? 1

(iii) Explain the significance of the Phillips curve in understanding the relationship between inflation and unemployment. 2

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UNIT—V

9. Answer any *two* of the following questions : 2×2=4

(a) What is meant by balance of payments?

(b) What do you mean by foreign exchange rate?

(c) Why do developing countries often face disequilibrium in their balance of payments?

10. Answer any *one* of the following questions : 10

(a) Explain the components of balance of payments. How can persistent deficits be corrected? 6+4=10

(b) (i) Distinguish between fixed exchange rate and flexible exchange rate. 4

(ii) Explain how equilibrium exchange rate is determined under flexible exchange rate system. 6

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