Economics-1

Final Semester Exam   Full Marks: 50

Section A
Answer all 10 questions. Each Carry 2 Marks.

1. State the difference between Net Domestic Product and Gross Domestic Product? What is the difference between Net National Product and Net Domestic Product?

2. An Economy's GDP is Rs 1240 Billion. The overall price level is at Rs 100. What is the real GDP of the economy?

3. Write True or False: a) **Agriculture** has the highest sectoral share in India's GDP in 2019. b) Manufacturing Sector has the highest share in employment during 2019.

4. Define a recession for an economy. What type of unemployment is related to recession?

5. Write two functions of money and explain.

6. Define Net Savings of an economy. How is net savings related to depreciation?

7. Write down a difference between efficiency wage and the minimum wage in an economy.

8. Write True or False: a) Phillips Curve shows the relationship between inflation and GDP.
   b) Structural Unemployment is same as frictional unemployment.

9. Define Balance of Payment.

10. How does technical improvement change the Aggregate Supply Curve of an economy? Explain with a diagram.

Section B
Answer all 5 Questions.
11. The following 5 questions are related to the same economy. In this economy, the consumption function is given by C= 400+ 0.5(Y-T). Here Y is the GDP and T is Taxes. Investment is 100 units and government expenditure is 75 units.

a) Prove that MPC+MPS=1 for this economy.   2 marks

b) If government expenditure increases by 10 units and taxes increase by 8 units, to what proportion the GDP will change?   2 marks

c) If investment function changes to I=300-50r. Where r is the rate of interest. Write down the IS curve equation and draw the IS curve for r= 0,1, and 2.   3 marks

d) Suppose the Money demand function is $(M/P)^d$= Y-60r. The money supply is fixed at Rs 1000. Write down the LM curve equation and draw the LM curve for r=0,1, and 2.   3 marks

e) Find out the equilibrium level of Y and r for the economy if the above mentioned IS and LM curve holds true. Now assume, due to COVID pandemic, the Investment function becomes I= 150-25r. What policy combination (fiscal and monetary) should you recommend for the economy to keep the previous equilibrium intact?   5 marks

Section C
(Answer any three. Each carries 5 marks. Maximum word limit is 50 words for each question.)

12. Write short notes on any 3 of the following:
    a) Phillips Curve and Aggregate Supply Curve.
    b) Inventory investment (or business inventories) and it's role in Simple Keynesian Equilibrium
    c) Quantity Theory of Money
    d) Structural Transformation of an economy and Share of Different Sectors in Employment in India.