

Duration: 2 hours

Max. Marks: 80

Instructions:

1. All questions are compulsory.
2. Answer sub-questions in question no.1 and Question no.2 in not more than 100 words each.
3. Answer Question no. 3 to Question no. 6 in not more than 400 words each.
4. Figures to the right indicate maximum marks to the questions.
5. Draw neat diagrams wherever necessary.

Q. 1. Answer **any four** of the following: (4x4=16 marks)

- a) Explain the concept of Gross Domestic Product.
- b) State and explain the various components of expenditure.
- c) Explain the concept of aggregate supply in the short run and long run.
- d) State and explain the various causes of rising inflation.
- e) What is frictional unemployment?
- f) Write a note on the concept of sacrifice ratio.

Q. 2. Answer **any four** of the following: (4x4=16 marks)

- a) Write a note on the concept of flow of goods in an open economy.
- b) Explain the concept of interest rate differentials.
- c) What are flexible exchange rates?
- d) Write a note on the concepts of residential and inventory investment.
- e) What are the measures of money supply?
- f) Explain the transaction theory of demand for money.

Q.3.a. Explain the circular flow of income and expenditure. (12 marks)

OR

b. List out and explain the various reasons for the shifts in the aggregate demand curve. (12 marks)

Q.4.a. Explain the theory of natural rate of unemployment. (12 marks)

OR

b. Explain the role of adaptive and rational expectations. (12 marks)

Q.5.a. Explain the concept of saving and investment in a small open economy. (12 marks)

OR

b. Present a case under perfect capital mobility for the effectiveness of monetary and fiscal policy under flexible exchange rate using the Mundell-Fleming model. (12 marks)

Q.6.a. Explain the portfolio theory of demand for real balances. (12 marks)

OR

b. List out and explain the determinants of business fixed investment. (12 marks)