

**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)