



Name : .....

Roll No. : .....

Invigilator's Signature : .....

**CS/MMA/SEM-1/MMA-104/2009-10  
2009**

**MANAGERIAL ECONOMICS ( MACRO )**

Time Allotted : 3 Hours

Full Marks : 70

*The figures in the margin indicate full marks.*

*Candidates are required to give their answers in their own words  
as far as practicable.*

**GROUP – A**

**( Multiple Choice Type Questions )**

1. Choose the correct alternatives for the following :

10 × 1 = 10

i) Which of following is not a leak from the circular flow  
diagram of expenditure/income ?

- a) Taxes
- b) Net imports
- c) Transfers
- d) Savings.



- ii) If the monetary authority of a country buys back its own currency, the transaction would appear in the balance of payments statistics as
- a) a credit item in the current account
  - b) a debit item in the current account
  - c) a credit item in the official account
  - d) a debit item in the official account.
- iii) Assume an economy with constant, positive labour force growth but no technological progress within a Solow model of economic growth. This economy is dynamically inefficient, when
- a) there is unemployed labour in the economy
  - b) the proportion of the growing labour force that is unemployed is increasing
  - c) by decreasing the saving rate in the current period, it would be possible to increase future steady state
  - d) the marginal product of capital does not equal the sum of the rate of growth of the labour force and the depreciation rate.



- iv) Short-run fluctuations in real GDP occur in the real business cycle model when
- prices adjust gradually
  - shocks move short-run aggregate supply ( SAS )
  - shocks move long-run aggregate supply ( LAS )
  - when investment depends upon the growth of real GDP.
- v) For a small economy is a fixed exchange rate system, which of the following factors would not shift the AD curve ?
- Tobin's  $q$
  - The price level
  - (  $Y^*$  )
  - Household wealth (W)
- vi) The negative relationship between the gap between actual GDP and its trend value and the difference between actual unemployment rate and its equilibrium value is called what ?
- The Aggregate Supply Curve
  - The Battle of the Markups
  - The Phillips Curve
  - Okun's Law.



- vii) When only disturbances such as changes in technology and tastes or in public spending and taxes can affect economic growth and employment, whereas changes in the money supply would not affect economic growth and employment, we have
- a) the Keynesian assumption
  - b) the classical dichotomy
  - c) sticky prices
  - d) the neo-classical synthesis.
- viii) When prices are sticky, with the exception of the very special case of a general equilibrium in goods, money and labour markets, we will generally observe
- a) the money market is in equilibrium but the goods market and the labour market are in disequilibrium
  - b) the goods market and the labour market are in equilibrium but the money market is in disequilibrium
  - c) the labour market is in equilibrium but the goods market and the money market are in disequilibrium
  - d) the goods market and the money market are in equilibrium but the labour market is in disequilibrium.



- ix) The International Fisher equation states that
- a) domestic inflation rates will tend to equal foreign inflation rates
  - b) domestic real interest rates will tend to equal real interest rates
  - c) the expected exchange rate depreciation of the domestic currency is equal to the future inflation differential ( foreign minus domestic inflation )
  - d) the difference between the bid-ask spread for an exchange rate is equal to the future inflation differential ( foreign minus domestic inflation ).
- x) If a household anticipates a permanent fall in income
- a) saving will increase in the current period
  - b) consumption-smoothing will be random
  - c) there will be a permanent fall in consumption of similar size to the anticipated fall in income.
  - d) all of these are true.



**GROUP – B**

**( Short Answer Type Questions )**

Answer any *three* of the following.

$3 \times 5 = 15$

2. Write down the difference between Balance of Trade and Balance of Payment.
3. State the different methods for measuring national income of a country.
4. Enumerate the characteristics of Trade Cycle.
5. How do you define Life Cycle Theory of Consumption ?
6. Differentiate between GDP and GNP.

**GROUP – C**

**( Long Answer Type Questions )**

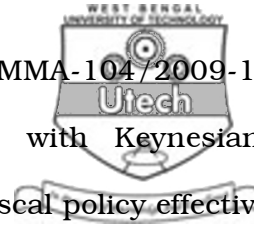
Answer any *three* of the following.

$3 \times 15 = 45$

7. Distinguish between demand pull and cost push inflation. Can the two types of inflation go hand-in-hand ? Explain in this regard the "wage price spiral".
8. What do you mean by unemployment ? State the different kinds of unemployment. What is Philips curve of unemployment ? What shape does Philips curve take at long-run ?

$7 + 2 + 6$

$2 + 6 + 5 + 2$



9. Show the derivation of the LM curve with Keynesian, intermediate and classical range. Why is fiscal policy effective in the Keynesian range and ineffective in the classical range ? 8 + 7
10. How do you explain "underdeveloped" ? What is sustainable development. Point out how to measure it. 4 + 3 + 8
11. What is PPF and terms of trade ? Why is PPF concave to the origin ? Show how a country gains from international trade. 4 + 6 + 5
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