

PARUL UNIVERSITY
FACULTY OF ARTS
B.Arts Summer 2017 – 18 Examination

Semester: 4

Subject Code: 15101252

Subject Name: Macroeconomics - II

Date: 10/05/2018

Time: 10:30 am to 1:00 pm

Total Marks: 60

Instructions:

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

Q.1 Do as directed.**A. Multiple choice type questions. (Each of 0.5 mark)****(08)**

1. High-power money supply is _____.
 (a) $H = C + R$ (c) $H = R + OD$
 (b) $H = C + R + OD$ (d) None
2. Money Multiplier $M =$ _____.
 (a) M/H (c) mH
 (b) m/h (d) None
3. Wholesale price index (WPI) is also called as _____.
 (a) Producer Price Index (c) Both a and b
 (b) Rate of Inflation (d) None
4. A _____ is the primary source of money supply in an economy.
 (a) Commercial bank (c) central bank
 (b) both a and b (d) none
5. Total money supply of a country is the sum of _____ by central bank and _____ created by the commercial bank.
 (a) narrow money and high power money (c) high power money and derivative deposit
 (b) both a and b (d) None
6. _____ means decline in the rate of inflation.
 a) Deflation c) inflation
 b) disinflation d) none of these
7. _____ has no intrinsic value.
 (a) high power money (c) token money
 (b) both a and b (d) None
8. The relative income hypothesis suggests that MPC for higher income group is _____.
 (a) higher (c) lower
 (b) both a and b (d) None
9. if the income of all the families increase at the a same rate then, their relative income will _____.
 (a) increase (c) fall
 (b) remain constant (d) None
10. Relative income hypothesis has been given by _____.
 (a) Keynes (c) Samulson
 (b) J.S.Duesenberry (d) None
11. Which one of the following is not a function of money?
 (a) medium exchange (c) Means of barter
 (b) Standard of deferred payment (d) store of value
12. Inflation increase by 2% per year is called _____.
 (a) Hyper inflation (b) creeping inflation
 (b) both a and b (d) None
13. Money supply is governed by?
 (a) planning commission (c) central bank
 (b) Finance Ministry (d) Commercial bank

14. Precaution demand for money is function of _____.
- (a) income (c) rate of interest
(b) money supply (d) Investment
15. Consumption theory put forward by Modigliani is called _____.
- (a) Psychological law (c) Relative income hypothesis
(b) life-cycle hypotheses (d)
16. Rate of Inflation = _____
- (a) $\frac{PINt - PINt-1}{PINt-1} \times 100$ (c) $\frac{PINt-1}{PINt-1} \times 100$
(b) $\frac{PINt}{PINt-1}$ (d) none of these

B. Terms. (Each of 01 mark)

(07)

1. Inflation
2. Inflation gap
3. Money
4. Full employment
5. Demand pull inflation
6. Phillips Curve
7. Structural unemployment

Q.2 Answer the following.

- A. Explain the relationship between inflation and unemployment with the help of Phillips curve. **(04)**
 B. Write a note on: money multiplier. **(04)**
 C. Briefly explain Tobin's – Q theory of investment. **(04)**

OR

- C. What are the different types of inflation? **(04)**

Q.3 Answer the following.

- A. Explain major functions of money. **(05)**
 B. Explain methods of measuring Inflation. **(05)**
 C. Explain major function of commercial bank. **(05)**

OR

- C. Explain the process of deposit creation by commercial bank. **(05)**

Q.4 Answer the following

- A. Explain the effect of inflation on distribution of income. **(06)**
 B. Explain the theory of money supply **(06)**
 C. Explain Relative Income Hypothesis of consumption. **(06)**

OR

- C. Discuss Friedman s' Quantity theory of Money. **(06)**