

2021

ECONOMICS — HONOURS

First Paper

(Group – B)

Full Marks : 50

The figures in the margin indicate full marks.

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

SECTION – A

Answer **any five** questions.

1. State whether the following transactions are included in the NNP of India. Give reasons for your answer.
 - (a) Mr. A buys Mr. B's house at a price of ₹ 1 crore.
 - (b) A firm buys lubricating oil to maintain its machinery.
 - (c) India exports 25000 units of commodity X to France.
 - (d) A German automobile company sets up a factory in India and produces 2000 cars in a year.

1+1+1+1
2. Consider an economy where total sales receipts from wheat, flour, bread and sandwich are 23, 53, 110 and 190 respectively. If the economy produces only these four products, prove that the total value added in the economy is equal to both the final sales proceeds and the total factor earnings.

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3. Suppose that an automobile company owned entirely by US citizens open a new factory in India.
 - (a) What sort of foreign investment would this represent?
 - (b) What would be the effect of this investment on the GDP of India?
 - (c) Would the effect on Indian GNP be larger or smaller?

1+1+2
4. Consider an economy that produces only chocolate bars. In year 1, the quantity produced is 3 bars at ₹ 4 per bar. In year 2, the economy produces 4 bars at the price of ₹ 5 per bar. In year 3, the production is 5 bars at ₹ 6 per bar. Year 1 is the base year.
 - (a) Calculate the nominal GDP for each of these three years.
 - (b) Calculate the real GDP for each of these three years.
 - (c) What is the GDP deflator for each of these years?
 - (d) What is the percentage growth rate of real GDP from year 2 to year 3?

1+1+1+1

Please Turn Over

5. If all income is consumed at every level of income and autonomous consumption is zero, then draw the consumption function curve. What is the value of MPC in this case? Also draw the savings function and state the value of MPS. 1+1+1+1
6. If the government raises tax rate, how will that affect the Investment Demand function? Would national savings increase if the government introduces social security schemes? 2+2
7. State the category of unemployment to which the following persons belong, if at all they are unemployed.
- (a) An automobile company goes bankrupt and lay off its workers, who immediately start looking for new jobs.
- (b) A stock market boom induces newly enriched workers to seek early retirement. 2+2
8. Explain why if banks hold all deposits in reserves, banks do not influence the supply of money. What happens when banks hold only a fraction of deposits in reserves? 2+2

SECTION – B

Answer *any five* questions.

9. Calculate : (a) GDP_{MP} (b) NNP_{FC} (c) Personal.

Income based on the following information :

	in ₹
Net indirect taxes	8,344
NDP_{MP}	74,905
Net factor income from abroad	(–)232
Depreciation allowance	4,466
Current transfers to households	2,305
Income from domestic product accruing to government	1,972
	2+2+2

10. Distinguish between broad money and narrow money. Mention two measures government can adopt to curb inflation. 2+4
11. Explain with diagram : (a) Classical Dichotomy (b) Neutrality of Money. 3+3
12. Discuss the economic rationale of “Catch Up Effect”. Distinguish between Physical and Human capital. 3+3
13. Mention and describe any three determinants of productivity. 6
14. State and explain Okun’s Law. Explain how can Sacrifice ratio be expressed in terms of unemployment. 2+2+2

- 15.** (a) Mention three sources of inflexibility of wages in Labour Market.
- (b) What will be the effect of imposition of minimum wage law set by the government on unemployment in the economy? 3+3
- 16.** Derive the AS curve under the following situations :
- (a) The economy achieves long-run full employment equilibrium.
- (b) The producers have imperfect information about the prices of goods produced by others. 3+3
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