

**Avinashilingam Institute for Home Science and Higher Education for Women
Coimbatore-641 043**

**Bachelor's Degree Examination – November 2017
III Semester**

**Class : II UG
Major : Economics**

**Time :3 hours
Max. Marks: 100**

**15BECC07- Macro Economics - II
Part-A**

10 x 1=10

Choose the correct answer

1. _____ measures incremental change in consumption as a result of given increment income.
a. APC b. MPC c. MPS d. APS
2. APC and MPC decline when income increases, but the decline in MPS _____ the decline in APC.
a. < b. ≤ c. = d. >
3. Who tested the relationship between consumption and absolute income as suggested by Keynes?
a. Friedman b. Tobin c. James d. Albert
4. _____ is a temporary income that is not going to persist in future periods.
a. Transitory income b. Speculation c. Transaction d. Hedging
5. If $\Delta I = 2$, $\Delta Y = 10$ find MPI.
a. 0.2 b. 0.5 c. 8 d. 5
6. Autonomous investment refers to the investment which does not depend upon changes in the _____ level.
a. Saving b. Consumption c. Income d. Profit
7. Who was the first economist to analyse the relationship between changes in consumption and investment?
a. T.N. Carver b. Hicks c. Harrod d. Samuelson
8. Assumption of acceleration principle
a. Constant capital output ratio b. Increasing capital output ratio
c. Decreasing capital output ratio d. Inelastic supply of capital
9. The shape of the IS curve is _____ from left to right.
a. downward slope b. upward slope c. horizontal slope d. vertical slope
10. The product market is in equilibrium when Saving and _____ are equal.
a. Investment b. Income c. Rate of interest d. Employment

Part B

5 X 6=30

Answer the following

Answer should not exceed 400 words or two pages

- 11.a. Explain the properties of consumption function
(or)
- 11.b. How to measure the marginal propensity to save?
- 12.a. Discuss the assumptions of Milton Friedman permanent income hypothesis.
(or)
- 12.b. Explain demonstration effect of relative income hypothesis of consumption.

