

**Avinashilingam Institute for Home Science and Higher Education for Women
[Deemed to be University] Coimbatore-641 043**

Bachelor's Degree Examination – November 2018

III Semester

**Class : II UG
Major : Economics**

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

15BECC07/14BECC07 Macro Economics -II

Part-A

10 x 1=10

Choose the correct answer

1. According to Keynes the most important determinant of consumption
a. Rate of interest b. Saving c. Income d. Investment
2. Which of the following can cause shifts in consumption function
a. Psychological attitude b. Social practices
c. Business motives d. Changes in price level
3. MEC is inversely related to:
a. A. Prospective yield b. Supply price
c. Investment d. Rate of interest
4. Which one in the following is a stock variable?
a. Income b. Investment c. Capital d. Fiscal Deficit
5. Usually an IS curve is a -----line.
a. Vertical b. Downward Slopping c. Horizontal d. Upward slopping
6. LM curve shows the equilibrium condition in ----- market
a. Goods market b. Product market c. Money market d. None of these
7. Permanent Income Hypothesis was formulated by
a. Friedman b. Keynes c. Marshall d. Say
8. Duesenberry called the short run consumption as _____ effect.
a. ratchet b. point c. demand d. supply
9. The Accelerator Theory of Investment states when income or consumption increases investment will _____
a. increase b. decrease c. constant d. none
10. Profit theory of Investment states that the relationships between investment and profits not
a. proportional b. equal c. curved d. inverse

Part B

5 X 6=30

Answer the following

Answer should not exceed 400 words or two pages

11 a. Differentiate between MPC and APC .

(or)

11 b. What are the importance of consumption function?

12 a. Difference between absolute income hypothesis and relative income hypothesis.

(or)

12 b. List out the implications of life cycle hypothesis.

13 a. Difference between capital and investment.

(or)

13 b. Differentiate between MEC and MEI.

14 a. What are the factors determining the slope of LM curve?

(or)

14 b. Is the fiscal policy effective to control inflation?

15 a. Point out the assumptions of the Accelerator theory of Investment.

(or)

15 b. List out the limitations of the profit theory investment .

Part C

5 x 12=60

Answer the following

Answer should not exceed 800 words or four pages

16 a. Critically examine Keynes psychological law of consumption.

(or)

16 b. Explain the various factors that determine the consumption level.

17 a. Examine in detail the absolute income hypothesis.

(or)

17 b. Analyze the permanent income hypothesis.

18 a. Discuss the determinants of investment.

(or)

18 b. Describe the various types of investment.

19 a. Explain the profit theory of investment.

(or)

19 b. Critically analyze the accelerator theory of investment.

20 a. Explain in detail the effectiveness of monetary and fiscal policy.

(or)

20 b. Illustrate the IS and LM model.