Class-XII **Previous Year Questions** **Macro Economics**

Unit-I National Income.

1. What are capital goods? How are they different from consumption goods?
2. Distinguish between stocks and flows. Give two examples of each.
3. Giving reasons categorize the following into stock and flow:
   (i) Capital
   (ii) Saving
   (iii) Gross domestic product
   (iv) Wealth.
4. 'Domestic services (Household services) performed by a woman are not considered as an economic activity.' Defend or refute the given statement with valid reason.
5. Distinguish between "real" gross domestic product and "nominal" gross domestic product. Which of these is a better index of welfare of the people and why?
6. Explain the meaning of Real Gross Domestic Product and Nominal Gross Domestic Product, using a numerical example.
7. "Management of a water polluting oil refinery says that (oil refinery) ensures welfare through its contribution to Gross Domestic Product." Defend or refute the argument of management with respect to GDP as a welfare measure of the economy.
8. "Gross Domestic Product (GDP) does not give us a clear indication of economic welfare of a country." Defend or refute the given statement with valid reason.
9. "Higher Gross Domestic Product (GDP) means greater per capital availability of goods in the economy." Do you agree with the given statement? Give valid reason in support of your answer.
10. Explain 'non-monetary exchanges' as a limitation of using gross domestic product as an index of welfare of a country.
11. Explain Circular Flow of Income in a two sector economy.
12. State the three components of Income from Property and Entrepreneurship.
13. 'Subsidies to the producers should be treated as transfer payments'. Defend or refute the given statement with valid reason.
14. Define the following :
    (a) Value Addition
    (b) Gross Domestic Product
    (c) Flow Variables
    (d) Income property and entrepreneurship
15. Define the problem of double counting in the computation of national income. State any two approaches to correct the problem of double counting.
16. How should the following be treated in estimating national income of a country? You must give reasons for your answer:-
    (i) Taking care of aged parents
    (ii) Payment of corporate tax
    (iii) Expenditure on providing police services by the government.

(iv) Expenditurebyafirmonpaymentoffees to chartered accountant
(v) Payment of corporate tax by a firm
(vi) Purchase of refrigerator by a firm for own use
(vii) Payment of interest by a firm to a bank
(viii) Payment of interest by a bank to an individual
(ix) Payment of interest by an individual to a bank

17. Government incurs expenditure to popularize yoga among the masses. Analyse its impact on gross domestic product and welfare of the people.
18. Government of India has recently launched 'Jan-Dhan Yojna' aimed at every household in the country to have at least one bank account. Explain how deposits made under the plan are going to affect national income of the country.
19. How will you treat the following while estimating domestic product of a country? Give reasons for your answer :
(a) Profits earned by branches of country's bank in other countries
(b) Gifts given by an employer to his employees on Independence Day
(c) Purchase of goods by foreign tourists
20. Explain the precautions that are taken while estimating national income by value added method.
21. Will the following be included in the national income of India? Give reasons for your answer.
(a) Financial assistance to flood victims
(b) Profits earned by the branches of a foreign bank in India
(c) Salaries of Indians working intheAmerican Embassy in India.
22. Will the following be included in the domestic product of India? Give reasons for your answer.
(a) Profits earned by foreign companies in India.
(b) Salaries of Indians working in the Russian Embassy in India.
(c) Profits earned by a branch of State Bank of India in Japan.

Numericals:-

23. If the Nominal GDP is `1,200 and Price Index (with base = 100) is 120, calculate Real GDP.
24. If Real GDP is `200 and Price Index (with base = 100) is 110, calculate Nominal GDP.
25. If the Nominal GDP is ` 600 and Price Index (base = 100) is 120, calculate the Real GDP.
26. If the Real GDP is `500 and Price Index (base = 100) is 125, calculate the Nominal GDP.
27. If real income is ` 400 and price index is 105, calculate nominal income.
28. If nominal income is ` 500 and price index is 125, calculate real income.
29. Calculate Net Value Added at Factor Cost (NVAFC) from the following data :

(i) Value of Output: - 800	(iv) Depreciation: - 20
(ii) Intermediate Consumption:-200	(v) Subsidies: - 50
(iii) Indirect taxes: - 30	(vi) Purchase of machinery:-50

30. Calculate "sales" from the following data :

(i) Intermediate costs: - 700	(iv) Subsidy: - 60
(ii) Consumption of fixed capital: - 80	(v) Net value added at factor cost: - 1300
(iii) Change in stock :- (−) 50	(vi) Exports: - 50

31. Calculate National Income from the following data :

(i) Private final consumption expenditure: - 900
(ii) Profit: - 100
(iii) Government final consumption expenditure: - 400
(iv) Net indirect taxes: - 100
(v) Gross domestic capital formation: - 250
(vi) Change in stock: - 50
(vii) Netfactorincome from abroad :- (−) 40
(viii) Consumption of fixed capital: - 20
(ix) Net imports: - 30

32. Calculate "Sales" from the following data:

(i) Net value added at factor cost: - 560
(ii) Depreciation: - 60
(iii) Change in stock: - (−) 30
(iv) Intermediate cost: - 1000
(v) Exports: - 200
(vi) Indirect taxes: - 60

33. Calculate 'Gross National Product at Market Price' from the following data :

(i) Compensation of employees: - 2,000
(ii) Interest: - 500
(iii) Rent: - 700
(iv) Profits: - 800
(v) Employer's contribution to social security schemes:-200
(vi) Dividends: - 300
(vii) Consumption of fixed capital: - 100
(viii) Net indirect taxes: - 250
(ix) Net exports: - 70
(x) Net factor income to abroad: - 150
(xi) Mixed income of self-employed:- 1,500

34. Calculate "Gross National Disposable Income" from the following data:-

(i) Net domestic product as factor cost: - 3,000
(ii) Indirect taxes: - 300
(iii) Net current transfer from rest of the world: - 250
(iv) Current transfers from the government: - 100
(v) Net factor income to abroad: - 150
(vi) Consumption of fixed capital: - 200
(vii) Subsidies:- 100.

35. Calculate 'Sales'from the following data :

(i) Subsidies :- 200
(ii) Opening stock: - 100
(iii) Closing stock: - 600
(iv) Intermediate consumption: - 3,000
(v) Consumption of fixed capital: - 700
(vi) Profit: - 750
(vii) Net value added at factor cost: - 2,000

36.. Calculate net domestic product at factor cost from the following :

(i) Net current transfers to abroad:-5
(ii) Government final consumption expenditure: - 100
(iii) Net indirect tax: - 80
(iv) Private final consume. Expenditure:-300
(v) Consumption of fixed capital: - 20
(vi) Gross domestic fixed capital formation:- 50
(vii) Net imports :-(−) 10
(viii) Closing stock:-25
(ix) Opening stock: - 25
(x) Net factor income to abroad:-10

37. Calculate 'net national product' at factor cost from the following :

(i) National debt interest: - 60
(ii) Wages and salaries: - 600
(iii) Net current transfers to abroad: - 20
(iv) Rent: - 200

(v) Transfer payments by government: - 70
(vi) Interest: - 300
(vii) Net domestic product at factor cost accruing to government: - 400
(viii) Social security contribution by employers: - 100
(ix) Net factor income paid to abroad: - 50
(x) Profits: - 300

38. Calculate national income from the following :
(i) Net current transfers to abroad :-(−) 15
(ii) Private final consumption expenditure:- 600
(iii) Subsidies: - 20
(iv) Government final consumption expenditure: - 100
(v) Indirect tax:-120
(vi) Net imports:-20
(vii) Consumption of fixed capital :-35
(viii) Net change in stocks :-(−) 10
(ix) Netfactorincome to abroad :-5
(x) Net domestic capital formation: - 110

39. Calculate the 'Net National Product at Market Price 'from the following:
(i) Closing stock: - 10
(ii) Consumption of fixed capital:-40
(iii) Private final consume. Expenditure:-600
(iv) Exports:-50
(v) Opening stock :-20
(vi) Government final consum. expenditure :-100
(vii) Imports :-60
(viii) Net domestic fixed capital formation :- 80
(ix) Net current transfers to abroad :-(−) 10
(x) Net factor income from abroad :-30

40. Calculate 'National Income' from the following :
(i) Net change in stocks :-50
(ii) Government final consumption expenditure :-100
(iii) Net current transfers to abroad :-30
(iv) Gross domestic fixed capital formation :-200
(v) Private final cons. expenditure:-500
(vi) Net imports :-40
(vii) Depreciation :-70
(viii) Net factor income to abroad :-(−) 10
(ix) Net indirect tax :-120
(x) Net capital transfers to abroad :-25

41. Calculate 'Net National Product at Factor Cost' from the following :
(i) Social security contributions by employees :-90
(ii) Wages and salaries :-800
(iii) Net current transfers to abroad:- (−) 30
(iv) Rent and royalty :-300
(v) Net factor income to abroad :-50
(vi) Social security contributions by employers :-100
(vii) Profit :-500
(viii)Interest :-400
(ix) Consumption of fixed capital :-200
(x)Net indirect tax:-250

42. Calculate 'Net Domestic Product at Factor Cost'
(i) Net current transfers to abroad:- 15
(ii) Private final consumption expenditure:- 800
(iii) New imports :-(–)20
(iv) Net domestic capital formation:- 100

43. Calculate 'Gross National Product at Market Price'
(i) Rent:- 100

(ii) Net current transfers to rest of the world:- 30
(iii) Social security contributions by employers:- 47
(iv) Mixed income:- 600
(v) Gross domestic capital formation :-140
(vi) Royalty :-20
(vii) Interest :-110
(viii) Compensation of employees :-500
(ix) Net domestic capital formation:- 120
(x) Net factor income from abroad :-(–)10
(xi) Net indirect tax :-150
(xii) Profit :-200

44. Calculate National Income:-
(i) Personal tax :-80
(ii) Private final consumption expenditure:- 600
(iii) Undistributed profits:- 30
(iv) Private income:- 650
(v) Government final consumption expenditure:- 100
(vi) Corporate tax :-50
(vii) Net domestic fixed capital formation :- 70
(viii) Net indirect tax:- 60
(ix) Depreciation:- 14
(x) Change in stocks :-(–) 10
(xi) Net imports:- 20
(xii) Net factor income to abroad:- 10

45. Calculate 'Net Domestic Product at Market Price':-
(i) Private final consumption expenditure:- 400
(ii) Opening stock:- 10
(iii) Consumption of fixed capital:- 25
(iv) Imports:- 15
(v) Government final consumption expenditure :-90
(vi) Net current transfers to rest of the world :-5
(vii) Gross domestic fixed capital formation :-80
(viii) Closing stock :-20
(ix) Exports :-10
(x) Net factor income to abroad:- (–) 5

46. Calculate 'Net National Product at Market Price':-
(i) Transfer payments by government:- 7
(ii) Government final consumption expenditure:- 50
(iii) Net imports:- (–)10
(iv) Net domestic fixed capital formation:- 60
(v) Private final consumption expenditure :- 300
(vi) Private income:- 280
(vii) Net factor income to abroad:- (–)5
(viii) Closing stock:- 8
(ix) Opening stock:- 8
(x) Depreciation:- 12
(xi) Corporate tax:- 60
(xii) Retained earnings of corporations :-20

47. Calculate the 'National Income':-
(i) Rent :- 200
(ii) Net factor income to abroad :- 10
(iii) National debt interest :- 15
(iv) Wages and salaries :-700
(v) Current transfers from government :-10
(vi) Undistributed profits :-20
(vii) Corporation tax :-30
(viii) Interest :-150
(ix) Social security contributions by employers :-400

(x) Net domestic product accruing to government :-250

(xi) Net current transfers to rest of the world :-5

(xii) Dividends :-50

48. Find net domestic product at factor cost:-

(i) Rent:- 200

(ii) Net current transfers to abroad:- 10

(iii) National debt interest:- 60

(iv) Corporate tax :-100

(v) Compensation of employees :-900

(vi) Current transfers by government :-150

(vii) Interest :-400

(viii) Undistributed profits :-50

(ix) Dividend :-250

(x) Net factor income to abroad :-(–) 10

(xi) Income accuring to government :-120

49. Given the following data, find the missing values of 'Gross Domestic Capital Formation' and 'Wages and Salaries'.

(i) Mixed Income of Self Employed 3,500

(ii) Net Indirect Taxes :-300

(iii) Wages & Salaries:-?

(iv) Government final Consumption Expenditure:- 14,000

(v) Net Exports:- 3,000

(vi) Consumption of Fixed Capital:- 300

(vii) Net Factor income from Abroad :-700

(viii) Operating Surplus :-12,000

(ix) National Income :-30,000

(x) Profits :-500

(xi) Gross Domestic Capital Formation :-?

(xii) Private Final Consumption Expenditure :-11,000

50. Given the following data, find the missing value of 'Private Final Consumption Expenditure and 'Operating Surplus'.

(i) National Income :-50,000

(ii) Net Indirect Taxes:- 1,000

(iii) Private Final Consumption Expenditure:- ?

(iv) Gross Domestic Capital Formation:- 17,000

(v) Profits:- 1,000

(vi) Government Final Consumption Expenditure :-12,500

(vii) Wages and Salaries :-20,000

(viii) Consumption of Fixed Capital :-700

(ix) Mixed Income of self-employed :- 13,000

(x) Operating surplus :-?

(xi) Net factor Income from Abroad :-500

(xii) Net Exports:- 2,000

51. Calculate (a) Operating Surplus, and (b) Domestic Income :

(i) Compensation of employees:- 2,000

(ii) Rent and interest :- 800

(iii) Indirect taxes:- 120

(iv) Corporation tax 460

(v) Consumption of fixed capital:- 100

(vi) Subsidies:- 20

(vii) Dividend :-940

(viii) Undistributed profits:- 300

(ix) Net factor income to abroad :-150

(x) Mixed income:- 200

52. Given the following data, find the missing value of Government Final Consumption Expenditure' and Mixed Income of Self Employed'.

(i) National Income :-71,000
(ii) Gross Domestic Capital Formation:- 10,000
(iii) Gov. Final Cons. Expenditure:- ?
(iv) Mixed Income of Self Employed:- ?
(v) Net Factor Income from Abroad:- 1,000
(vi) Net Indirect Taxes :-2,000
(vii) Profits:- 1,200
(viii) Wages and Salaries :-15,000
(ix) Net Exports :-5,000
(x) Private Final Consumption Expenditure :-40,000
(xi) Consumption of Fixed Capital :-3,000
(xii) Operating Surplus :-30,000

53. Find national income :-

(i) Wages and salaries :-1000
(ii) Net current transfers to abroad :-20
(iii) Net factor income paid to abroad :-10
(iv) Profit :-400
(v) National debt interest :-120
(vi) Social security contributions by employers :-100
(vii) Current transfers from government :-60
(viii) National income accuring to government :-150
(ix) Rent :-200
(x) Interest :-300
(xi) Royalty :-50

54. Find net value added at factor cost : [3] (` Lakh)

(i) Durable use producer goods with a life span of 10 years :-10
(ii) Single use producer goods:- 5
(iii)Sales:- 20
(iv) Unsold output produced during the year :-2
(v) Taxes on production:- 1

55. Calculate National Income:-

(i) Corporation tax :-100
(ii) Private final cons. expenditure :-900
(iii) Personal Income tax :-120
(iv) Government final consumption expenditure :-200
(v) Undistributed profits :-50
(vi) Change in stocks:- (–) 20
(vii) Net domestic fixed capital formation :-120
(viii) Net imports :-10
(ix) Net indirect tax :-150
(x) Net factor income from abroad :-(–) 10
(xi) Private income :-1000

56. Calculate Net National Product at Market Price:-

(i) Net current transfers to abroad :-10
(ii) Private final consumption expenditure :-500
(iii) Current transfers from government :-30
(iv) Net exports :-(–) 20
(v) Net indirect tax :-120
(vi) National debt interest :-70
(vii) Net domestic capital formation :-80
(viii) Income accuring to government :-60
(ix) Income accruing to government :-60
(x) Government final consumption expenditure :-100

57. Find Gross National Product at Market Price :-

(i) Private final consumption expenditure:- 800

(ii) Net current transfers to abroad :-20

(iii) Net factor income to abroad :-(–) 10

(iv) Government final consumption expenditure :-300

(v) Net indirect tax :-150

(vi) Net domestic capital formation :-200

(vii) Current transfers from government :-40

(viii) Depreciation :-100

(ix) Net imports :-30

(x) Income accuring to government :-90

(xi) National debt interest :-50

58. Calculate (a) net national product at market price :-

(i) Gross domestic fixed capital formation :- 400

(ii) Private final consumption expenditure:- 8000

(iii) Government final consumption expenditure:- 300

(iv) Change in stock :-50

(v) Consumption of fixed capital :-40

(vi) Net indirect taxes:- 100

(vii) Net exports:- (–) 60

(viii) Net factor income to abroad :-(–) 80

(ix) Net current transfers from abroad:- 100

(x) Dividend:- 100

59. Calculate (a) national income:-

(i) Net factor income to abroad:- (–) 50

(ii) Net indirect taxes:- 800

(iii) Net current transfers from rest of the world:- 100

(iv) Net imports:- 200

(v) Private final consumption expenditure:- 5000

(vi) Government final consumption expenditure:- 3000

(vii) Gross domestic capital formation:- 1000

(viii) Consumption of fixed capital:- 150

(ix) Change in stock :-(–) 50

(x) Mixed income:- 4000

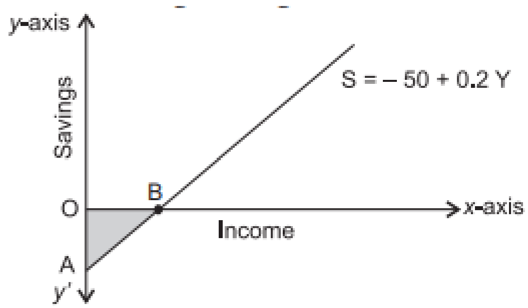
(xi) Scholarship to students:- 80

Unit-II Money and Banking

1. Explain “difficulty in storing wealth” problem faced in the barter system of exchange.
2. Explain the significance of the ‘Unit of Account’ function of money.
3. Explain the ‘medium of exchange’ function of money. How has it solved the related problem created by barter?
4. Explain the ‘standard of deferred payment’ function of money. How has it solved the related problem created by barter?
5. Explain the ‘store of value’ function of money. How has it solved the related problem created by barter?
6. Explain the ‘unit of account’ functions of money. How has it solved the related problem created by barter?
7. State the meaning and components of money supply.
8. State any two components of M1 measure of money supply.
9. Define Credit Multiplier. What role does it play in determining the credit creation power of the banking system? Use a numerical illustration to explain.
10. Currency is issued by the central bank, yet we say that commercial banks create money. Explain. How is this money creation by commercial banks likely to affect the national income? Explain.
11. Explain the function of Central Bank as ‘Banker, Agent and Advisor’ of the Government.
12. Elaborate how a Central Bank stabilizes money supply through ‘Bank Rate.’
13. Explain the ‘bank of note issue’ function of Central Bank.
14. Explain the function of Central Bank as ‘Banker’s Bank and Supervisor’.
15. Discuss briefly the “credit controller” function of Central Bank.
16. Elaborate any two instruments of Credit Control, as exercised by the Reserve Bank of India.
17. Explain the role of reverse repo rate in controlling money supply.
18. Explain how ‘Repo Rate’ can be helpful in controlling credit creation.
19. Explain the role of Cash Reserve Ratio in controlling credit creation.
20. Explain how open market operations are helpful in controlling credit creation.

Unit-III:- Income Determination

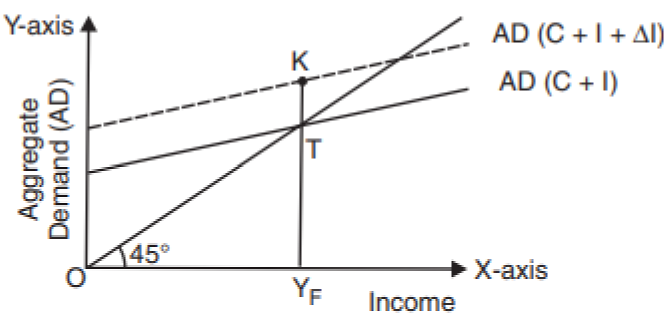
1. State the meaning of the following: (a) Ex-Ante Savings (b) Full Employment (c) Autonomous Consumption.
2. What is ex-Ante consumption? Distinguish between autonomous consumption and induced consumption.
3. Distinguish between marginal propensity to consume and average propensity to consume. Give a numerical example.
4. Given a consumption curve, outline the steps required to be taken in deriving a saving curve from it. Use diagram.
5. What is meant by aggregate demand? State its components.
6. Define effective demand. Discuss how, effective demand can be restored, if ex-ante Aggregate Demand (AD) is more than ex-ante Aggregate Supply (AS).
7. Answer the following questions on the basis of given figure :



(i) What does the shaded area AOB indicate?
(ii) What is the significance of point B?
(iii) At which level of income, Average Propensity to Consume will be equal to one and why?
(iv) What is the significance of saving curve above the point B.?
(v) At which level of income Average Propensity to Save (APS) will be equal to zero and why?
(vi) What does 'OA' signify with respect to consumption function?

8. Explain national income equilibrium through aggregate demand and aggregate supply. Use diagram. Also explain the changes that take place in an economy when the economy is not in equilibrium.
9. When is an economy in equilibrium? Explain with the help of saving and Investment functions. Also explain the changes that take place in an economy when the economy is not in equilibrium. Use diagram.
10. Discuss the working of the adjustment mechanism in the following situations: (a) If Aggregate demand is greater than Aggregate supply. (b) If Ex-Ante Investments are less than Ex-Ante Savings.
11. Discuss the adjustment mechanism in the following situations: (a) Aggregate demand is lesser than Aggregate Supply. (b) Ex-Ante Investments are greater than Ex-Ante Savings.
12. Define investment multiplier. How is it related to marginal propensity to consume?
13. Define multiplier. What is the relation between marginal propensity to consume and multiplier? Calculate the marginal propensity to consume if the value of multiplier is 4.

14. Assuming that increase in investment is ` 1000 crore and marginal propensity to consume is 0.9. Explain the working of multiplier.
15. Assuming that increase in investment is ` 800 crore and marginal propensity to consume is 0.8, explain the working of multiplier.
16. Explain all the changes that will take place in an economy when aggregate demand is not equal to aggregate supply at full employment level.
17. Explain the concept of Inflationary Gap. Explain the role of Repo Rate in reducing this gap.
18. Explain the concept of Deflationary Gap and the role of 'Open Market Operations' in reducing this gap.
19. State the impact of "Excess Demand" under the Keynesian theory on employment, in an economy.
20. Define full employment in an economy. Discuss the situation when aggregate demand is more than aggregate supply at full employment income level.
21. What is meant by inflationary gap? State three measures to reduce this gap.
22. Explain how controlling money supply is helpful in reducing excess demand.
23. Explain the meaning of under-employed equilibrium. Explain two measures by which full employment equilibrium can be reached.
24. Distinguish between inflationary gap and deflationary gap. State two measures by which these can be corrected.
25. What is 'deficient demand'? Explain the role of 'Bank Rate' in removing it.
26. What is 'excess demand'? Explain the role of 'Reverse Repo Rate' in removing it.
27. In the given figure, what does the gap 'KT' represents? State any two fiscal measures to correct the situation.



Numericals:-

1. Given the following information, identify whether the economy is in equilibrium or not.
   (i) Autonomous Consumption & Investment Expenditure (A) ` 200 crores
   (ii) Marginal Propensity to consume (MPC) 0.70
   (iii) National Income ` 1,000 crores.
2. On the basis of following information, identify whether the economy is in equilibrium or not:
   (i) Autonomous Consumption and Investment Expenditure (A) ` 500 crores
   (ii) Marginal Propensity to Save (MPS) 0.2
3. (iii) National Income ` 4,000 crores.
4. Suppose marginal propensity of consume is 0.8. How much increase in investment is required to increase national income by ` 2000 crore? Calculate.

5. In an economy an increase in investment by ` 100 crore led to 'increase' in national income by ` 1,000 crore. Find marginal propensity to consume.
6. An economy is in equilibrium. Calculate the Investment Expenditure from the following : National Income = 800 Marginal Propensity to Save = 0.3 Autonomous Consumption = 100
7. An economy is in equilibrium. Calculate the Marginal Propensity to Save from the following: National income = 1,000 Autonomous consumption = 100 Investment = 120
8. An economy is in equilibrium. Calculate the national Income from the following : Autonomous Consumption = 120 Marginal Propensity to Save = 0.2 Investment Expenditure = 150
9. An economy is in equilibrium. Calculate national income from the following: Autonomous consumption = 100 Marginal propensity to save = 0.2 Investment expenditure = 200
10. An economy is in equilibrium. Find autonomous consumption from the following : National income = 1,000 Marginal propensity to consume = 0.8 Investment expenditure = 100
11. An economy is in equilibrium. Find Marginal Propensity to Consume from the following : National income = 2,000 Autonomous consumption = 400 Investment expenditure = 200
12. Calculate Marginal Propensity to Consume from the following data about an economy which is in equilibrium: National income = 2000 Autonomous consumption expenditure = 200 Investment expenditure = 100.
13. Estimate the change in initial investment if Marginal Propensity to Save (MPS) is 0·10 and change in final income is ` 15,000 crores.
14. Estimate the change in final income if Marginal Propensity to Consume (MPC) is 0·75 and change in initial investment is ` 2,000 crores.
15. Calculate change in final income, if Marginal Propensity to Consume (MPC) is 0·8 and change in initial investment is ` 1,000 crores.
16. If in an economy: Change in initial investments = ` 500 crores Marginal Propensity to Save (MPS) = 0.2 . Find the value of the following : (a) Investment multiplier (k) (b) Change in final income.
17. Answer the following questions based on the data given below: (i) Planned Investments = ` 100 crore. (ii) C = 50 + 0.50 Y

    (a) Determine the equilibrium level of income.

    (b) Calculate the value of savings at equilibrium level of National Income.

    (c) Calculate the value of Investment Multiplier.
18. An economy is in equilibrium. From the following data, calculate the marginal propensity to save : (a) Income = 10,000 (b) Autonomous consumption = 500 (c) Consumption expenditure = 8,000.
19. An economy is in equilibrium. From the following data about an economy, calculate autonomous consumption.(a) Income = 5000 (b) Marginal propensity to save = 0·2 (c) Investment expenditure = 800.
20. An economy is in equilibrium. From the following data about an economy calculate investment expenditure: (i) Income = 10000 (ii) Marginal propensity to consume = 0.9 (iii) Autonomous consumption = 100.

21. Calculate investment expenditure from the following data about an economy which is in equilibrium. National Income = 1000 Marginal propensity to save = 0.20 Autonomous consumption expenditure = 100.
22. Calculate Autonomous Consumption Expenditure from the following data about an economy which is in equilibrium:National income = 500 Marginal Propensity to save = 0.30, Investment expenditure = 100.
23. Calculate investment expenditure from the following data about an economy which is in equilibrium: National income = 1000 Marginal propensity to save = 0.25, Autonomous consumption expenditure = 200.
24. Calculate autonomous consumption expenditure from the following data about an economy which is in equilibrium. National income = 1200 Marginal propensity to save = 0.20 Investment expenditure = 100
25. Calculate marginal propensity to consume from the following data about an economy which is in equilibrium :National Income = 1500 Autonomous consumption expenditure = 300 Investment expenditure = 300
26. From the data given below about an economy. Calculate (a) investment expenditure and(b)consumption expenditure (i) Equilibrium level of income 5000 (ii) Autonomous consumption 500 (iii) Marginal propensity to consume 0.4
27. In an economy C=200+0.75Yis the consumption function where C is consumption expenditure and Y is national income. Investment expenditure is 4,000. Calculate equilibrium level of income and consumption expenditure.
28. From the following data about an economy, calculate (a) equilibrium level of national income and (b) total consumption expenditure at equilibrium level of national income. C = 200 + 0.5Y is the consumption function where C is consumption expenditure and Y is national income. (ii) Investment expenditure is 1,500.
29. C = 100 + 0.4Yis the Consumption Function of an economy where C is Consumption Expenditure and Y is National Income. Investment expenditure is 1100. Calculate (i) Equilibrium level of National Income. (ii) Consumption expenditure at equilibrium level of National Income.
30. In an economy, S = −100 + 0.6Y is the saving function, where S is saving and Y is National Income. If investment expenditure is 1100. Calculate: (i) Equilibrium level of National Income Consumption expenditure of equilibrium level of National Income.
31. C = 50 + 0.5Y is the consumption function where C is consumption expenditure and Y is National Income and investment expenditure is 2,000 in an economy. Calculate (i) Equilibrium level of (National Income) (ii) Consumption expenditure at equilibrium level.
32. An economy is in equilibrium. From the following data, calculate autonomous consumption. [4] (i) Income = 10000 (ii) Marginal propensity to save = 0.2 (iii) Investment = 1500
33. An economy is in equilibrium. Find investment expenditure : [3] National income = 1200 Autonomous consumption expenditure = 150 Marginal Propensity to consume = 0.8
34. An economy is in equilibrium. Find investment expenditure : [3] National Income = 1000 Autonomous Consumption = 100 Marginal Propensity to consume = 0.8

35. In an economy investment is increased by ` 300 crore. If marginal propensity to consume is 2/3, calculate increase in national income.

36. Complete the following table :

Income (₹)	Consumption expenditure (₹)	Marginal propensity to save	Average propensity to save
0	80	...	...
100	140	0.4	...
200	...	...	0
...	240	...	0.20
...	260	0.8	0.35

Unit-IV:-Government Budget

1. Explain (a) allocation of resources and (b) economic stability as objectives of government budget.
2. What is government budget? Explain its major components.
3. Explain how government budget can be helpful in bringing economic stabilization in the economy.
4. What is government budget? Explain how taxes and subsidies can be used to influence allocation of resources.
5. "Taxation is an effective tool to produce the inequalities of income". Justify the given statement with valid reasons.
6. How can budgetary policy be used to reduce inequalities of income?
7. Distinguish between direct taxes and indirect taxes. Give an example of each.
8. How are tax receipts different from non-tax receipts? Discuss briefly.
9. Classify the following statement as revenue receipts or capital receipts. Give valid reasons in support of your answer.
   (a) Financial help from a multinational corporation for victims in a flood affected area.
   (b) Sale of shares of a Public Sector Undertaking (PSU) to private company, Y Ltd.
   (c) Dividends paid to the Government by the State Bank of India.
   (d) Borrowings from International Monetary Fund (IMF).
10. How are capital receipts different from revenue receipts? Discuss briefly.
11. How is capital expenditure different from Revenue expenditure? Discuss briefly.
12. State any two items of revenue expenditure in a Government budget.
13. Is the following a revenue receipt or a capital receipt in the context of government budget and why? (i) Tax receipts (ii) Disinvestment
14. State three sources each of revenue receipts and capital receipts in government budget.
15. Distinguish between revenue deficit and fiscal deficit.
16. What is the difference between direct tax and indirect tax?
17. Is the following revenue expenditure or capital expenditure in the context of government budget? Give reasons. (i) Expenditure on collection of taxes. (ii) Expenditure on purchasing computers.

18. Explain the role the government can play through the budget in influencing allocation of resources.
19. What is non-debt creating capital receipts? Give two examples of such receipts.
20. Explain the meaning of the following :(a) Revenue deficit (b) Fiscal deficit (c) Primary deficit

Unit-V:- Balance Of Payments& Foreign exchange rate

1. Distinguish between 'Current Account Deficit' and 'Current Account Surplus'.
2. Distinguish between 'trade deficit' and 'current account deficit'.
3. Define "Trade Surplus" and "Trade Deficit".
4. Define "Trade surplus". How is it different from "Current account surplus"?
5. Indian investors lend abroad. Answer the following questions: (a) In which sub-account and on which side of the Balance of Payments Account such lending is recorded? Give reasons. (b) Explain the impact of this lending on market exchange rate.
6. In which sub-account and on which side of balance of payments account will foreign investments in India be recorded? Give reasons. (b) What will be the effect of foreign investment in India on exchange rate? Explain.
7. Where is 'borrowings from abroad' recorded in the Balance of Payments Accounts? Give reasons.
8. Where will sale of machinery to abroad be recorded in the Balance of Payments Accounts? Give reasons.
9. Distinguish between Autonomous items and Accommodating items.
10. State, giving valid reasons whether the following statements are true or false: (i) Trade deficit is always a great cause of worry for an economy. (ii) Depreciation of currency has same effect on exports as devaluation of currency. (iii) 'Indians investing in assets abroad' will be recorded under debit side of capital account in Balance of Payments.
11. Explain, what can be the likely impact of depreciation of the home currency on imports to the country. (b) Distinguish between Current Account Deficit (CAD) and Current Account Surplus (CAS).
12. Differentiate between the concepts of 'demand for domestic goods and services' and 'domestic demand for goods and services'.
13. 'Recently Indian Rupee (`) has depreciated significantly. This has lead to distress for Indian importers.' Defend or refute the given statement with valid reasons.
14. Explain the relationship between fall in price of a US Dollar ($) and its demand.
15. Discuss briefly the concept of managed floating system of foreign exchange rate determination.
16. Distinguish between appreciation of home currency and depreciation of home currency. [4+1+1] (b) What is a meant by 'current account surplus'? (c) State any one source of supply of foreign currency for a country.
17. Discuss briefly the concept of flexible exchange rate system of foreign exchange rate determination.
18. "Indian Rupee (`) plunged to all time low of ` 74.48 against the US Dollar ($)". –The Economic Times In the light of the above report, discuss the impact of the situation on Indian Imports.

19. Explain the impact of rise in exchange rate on national income. (b) Explain the concept of ‘deficit’ in balance of payments.
20. Why the demand for foreign currency fall and supply does rise when its price rises? Explain.
21. . Foreign exchange rate in India is on the rise recently. What impact is it likely to have on exports and how?
22. When foreign exchange rate in a country is on the rise, what impact is it likely to have on imports and how?
23. Explain the effect of appreciation of domestic currency on exports?
24. Recently Government of India has doubled the import duty on gold. What impact is it likely to have on foreign exchange rate and how?
25. Visits of foreign countries for sightseeing etc., by the people of India is on the rise. What will be its likely impact on foreign exchange rate and how?
26. How does giving incentives for exports influence foreign exchange rate? Explain.
27. Explain the effect of depreciation of domestic currency on exports.
28. How is exchange rate determined in the foreign exchange market? Explain.