



QP Code 66154

Answer Key (Set I)

- Q1. a) Concept of Circular Flow of Income – Impact of Foreign sector on Circular Flow.
b) Nominal GDP (2018) = $30+60+30+60 = 180$
Nominal GDP (2019) = $60+40+80+150 = 330$
Real GDP (2018) = $30+60+30+60 = 180$
Real GDP (2019) = $50+48+60+120 = 278$
c) Definition of GDP and GNP – Components of GDP and GNP – Trends in GDP growth rate in India.
- Q2. a) Concept of National Income Identity in an open economy – Impact of Net Exports on National Income
b) Concept of Keynesian Consumption function – Idea of Autonomous consumption and Marginal propensity to consume - Graph
c) Concept of Investment Multiplier – When investment is increased by 200 crores and MPC = 0.6, Increase in National Income will be **500 crores**.
- Q3. a) Concept of Public goods – Features of Public goods – Concept of Merit goods – Examples
b) Concept of Impact of Tax – Difference in Impact and Incidence due to shifting of tax burden – Graphical explanation of shifting of tax burden from seller to customers
c) Types of deficits – Revenue Deficit – Budget Deficit – Fiscal Deficit – Primary Deficit
- Q4. a) Meaning of Balance of Payments – Components of BOP: Current account, Capital account, etc.
b) Concept of FOREX and its components: Foreign Currency assets, Gold, SDR, Reserve Tranche position in the IMF.
c) Types of disequilibrium in Balance of Payments: Short-run, Long-run, Cyclical, Structural disequilibrium.
- Q5. a) Concept of purchasing power parity – Calculation GDP at PPP
b) Meaning of Marginal Efficiency of Capital (MEC) – Determinants of Private Investment – Relation between MEC and Rate of Interest
c) Meaning of GST – CGST & SGST – Implementation of GST in India – Advantages & Disadvantages of GST
d) Demand & Supply curve of foreign currency – determination of equilibrium exchange rate
