

Answer Key (Set 2)

Q.1 –

- a. Circular flow in an open economy – household, firms, government and foreign sector to be explained with diagram.
- b. Concept be explained and components of Gross Domestic Product- consumption, investment, government expenditure and net exports.
- c. Purchasing power parity theory of Cassel to be explained with equation and example.

Q.2 –

- a. Factors affecting consumption function- subjective and objective factors to be explained.
- b. Meaning and working of the multiplier to be explained with equation, schedule and diagram.
- c. Trends with figures to be explained and composition of domestic savings in India household, private corporate and public sector to be explained.

Q.3 –

- a. Meaning to be defined and characteristics of public goods-non-rivalry in consumption and non-excludability to be explained.
- b. Merits-equitable, elastic, economical etc. and demerits- arbitrary, inconvenient, affects investment etc. points to be explained of direct taxes.
- c. Classification of public expenditure-functional, departmental, capital and revenue etc. points to be explained.

Q.4 –

- a. Structure of Balance of Payments-trade, current and capital account etc. points to be covered.
- b. Types of disequilibrium in Balance of Payments- short run, long run, structural and cyclical to be explained.
- c. Demand for- import of goods and services, unilateral payments etc. to be explained and supply of foreign exchange rate- export of goods and services, unilateral receipts etc. to be explained.

Q.5 –

- a. Changes in sectoral composition of India's GDP with respect to primary, secondary and tertiary sector to be explained.
- b. Marginal Efficiency of Capital to be explained with equation and diagram.
- c. Features of Goods and Services Tax - eliminates and subsumes previous taxes, CGST, SGST IGST, destination based tax, supply of goods and services, etc. to be explained.
- d. Foreign Exchange Reserves- gold, currency reserves, reserve tranche, SDRs to be explained.
