



Q1.[A] Explain the following concepts. [Any five]

[10]

1. Circular flow of income : It is continuous flow of goods and services, income and expenditure in an economy.
2. Open economy: IS an economy in which international trade take place.
3. Aggregate demand function.: ADF refers to maximum sale proceeds that a producer expects from the sale of output.
4. MEC : It is expected rate of profit from an investment in a new capital asset.
5. Stagflation: It refers to economic situation where unemployment and inflation co-exists.
6. Laffer curve: It explains the relationship between tax rate and taxrevenue.
- 7.Liquidity trap: It refers to a situation where at extreme low rate of interest demand for money becomes perfectly elastic.
8. Cost push inflation : It refers to increase in price due to increase in cost of production.

Q1 [B] Choose the right answer from the given options and rewrite the sentences. [10]

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| i a | ii b | iii. b | iv b | v a | vi b | vii b |
| viii c | ix b | x c | | | | |

- Q2. A Diagrane of four sector model—meaning and explanation.
 b Meaning of national income and economic welfare --- change in the size of national income and change in distribution of national income.
 c Diagrane of trade cycle --- four phases
- Q3. a Meaning of ADF, ASF, determination of effective demand.
 b Meaning, working of multiplier along with diagrane.
 c. Meaning of MEC and rate of interest and its relation.
- Q4. a Derivation of IS curve and its features.
 b Meaning , diagrane and trade off between inflation and unemployment.
 c Meaning of stagflation--- lowers economic activity, affects old and retire people, reduction in the level of discretionary income etc
- Q5. a Transitional --- precautionary and speculative motive along with diagrane.
 b Diagrane and causes of demand pull inflation
 c Moneaty, fiscal and direct measures to control inflation.

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