DEPARTMENT OF ECONOMICS
Model questions on
Introductory Macroeconomics

1. Why Gross National Income is called factor payments total?
2. What is meant by transfer income?
3. What do you mean by depreciation of capital?
4. Differentiate between gross national product (GNP) at market price and gross national product (GNP) at factor cost?
5. Differentiate between nominal GNP and real GNP.
6. What is GNP deflator?
7. Should transfer payments be included in the national income? Give reasons.
8. Is national income an indicator of social welfare? Explain.
9. How can we compute the GNP deflator?
10. What is difference between personal income and personal disposable income?
11. Why do the economists use real GDP rather than nominal GDP to gauge economic well-being?
12. Discuss the three approaches of measuring national income? Show that these three approaches give identical result.
13. The following is the information from the national income accounts for a hypothetical country: GDP Rs. 6000.00 Gross Investment Rs. 800.00 Net Investment Rs. 200.00 Consumption Rs. 4000.00 Govt. purchases of goods & services Rs. 1100.00 Govt. Budget Surplus Rs. 30.00 What is a) NDP b) Net exports c) Govt. taxes minus transfers c) Disposable personal income e) Personal Saving.
14. Define the following concepts-
    i) Marginal Propensity to Consume
    ii) Marginal Propensity to Save
    iii) Investment Multiplier
    iv) Balanced Budget Multiplier
    v) Tax Rate Multiplier
    vi) Budget surplus
15. In the simple Keynesian model, assume that the consumption function is given by $C = 200 + 0.75 (Y – T)$. Planned investment is 100, government purchases and taxes are both 100. a. Graph planned expenditure as a function of income. b. What is the equilibrium level of income? c. If government purchases increase to 125, what is the new equilibrium income? d. What level of government purchases is needed to achieve an income of 1,600?
16. State Keynes' **'**Psychological law of consumption'
17. Explain the concept of effective demand.
18. What do you understand by "paradox of thrift"?
19. State the Say's law.
20. What do you mean by velocity of circulation of money?

21. Explain the quantity theory of money. Explain the Cambridge approach and illustrate that it leads to the same identity as the quantity theory. What assumptions are imposed to arrive at a theoretical statement?
22. Suppose velocity remains constant while the money supply increases. How will this impact nominal GDP?
23. Explain the loanable funds theory.
24. What is meant by neutrality of money?
25. What is the Classical theory of employment?
26. Explain the role of prices in full employment determination in the Classical theory.
27. What is Walras' law?
28. Explain the concept of Keynesian liquidity preference theory.
29. What is the "liquidity trap" and why does that situation lead to monetary policy being ineffective in the Keynesian model?
30. What did Keynes mean by "liquidity preference?"
31. What are the three reasons people will demand money in the Keynesian model?