

**TOPICS : Determination of National Income & Money Market**

**QUESTION NO.1**

- A. Explain few important points which one needs to bear in mind while calculating National Income. **(5 MARKS)**
- B. Why empirical analysis of money supply is important? **(3 MARKS)**
- C. **Define Reserve Money? Compute the Reserve Money from the following data Published by RBI.** **(2 MARKS)**

Components	(In billions of Rs.) As on 7 <sup>th</sup> July 2018
Currency in circulation	15428.40
Bankers Deposits with RBI	4596.18
Other Deposits with RBI	183.30

**QUESTION NO.2**

- A. When investment in an economy increases from Rs. 10,000 crores to Rs. 14,000 crores and as a result of this national income rises from Rs. 80,000 crores to Rs. 92,000 crores, **compute investment multiplier.** **(2 MARKS)**
- B. What is the nature of relationship between investment and income according to Keynes? **(3 MARKS)**
- C. Explain the function of money as a unit of account? **(5 MARKS)**

**QUESTION NO.3**

- A. **What is high powered money? Calculate it from the following data:**

Components	in Million (Rs.)
Net RBI Credit to the Government	41561.2
RBI credit to the Commercial sector	18459.3
RBI's net non-monetary liabilities	24981.2
RBI's claims on banks	31456.2
RBI's Net foreign assets	10456.1

Government's currency liabilities to the public 21417.1

(3 MARKS)

B. What are the conceptual difficulties in the measurement of national income?

(2 MARKS)

C. The equilibrium level of income of an economy is Rs. 2,000 crores. The autonomous consumption expenditure is equal to Rs.100 crores and investment expenditure is Rs.500 crores. **Calculate.**

- (i) Consumption expenditure level of National Income.
- (ii) Marginal propensity to save and Marginal propensity to consume
- (iii) Break-even level of Income.

(5 MARKS)

#### QUESTION NO.4

A. **Calculate the narrow money** from the following information. (2 MARKS)

Components	in Million (Rs.)
Currency with the public	15473.2
Demand deposits of banks	6943.1
Saving deposits with post office saving banks	978.1
Other deposits of the RBI	501.2

B. Explain the operational procedure of the monetary policy of India?(Any three)

(3 MARKS)

C. Describe the determinants of demand for money as identified by Milton Friedman in his re-statement of Quantity Theory of demand for money. (3 MARKS)

D. Explain speculative motive of demand of money by Keynes. (2 MARKS)

#### QUESTION NO.5

A. **Calculate Personal Income** from the following data: (3 MARKS)

Particulars	In Crore
Undistributed profits of corporation	50
Net domestic product accruing to private sector	700
Corporation tax	65
Net factor income from abroad	10
Net current transfer from rest of the world	20
Net current transfer from the government	25
Interest on national debt	40

B. Distinguish between non-economic activities and economic activities?

**(3 MARKS)**

C. What will be the total credit created by the commercial banking system for an initial deposit of Rs. 3000 at a Required Reserve Ratio (RRR) of 0.05 and 0.08 respectively? Also compute credit multiplier.

**(2 MARKS)**

D. "Money has four functions: a medium, a measure, a standard and a store." Elucidate.

**(2 MARKS)**