

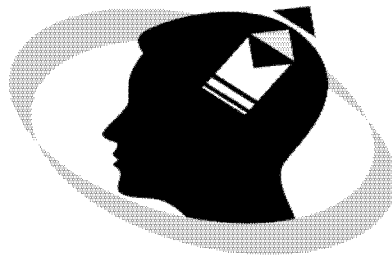
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WE HAVE INCLUDED THE PAST EXAM QUESTION PAPERS OF ALL ATTEMPTS UNDER CA INTER UPTO
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1. FISCAL FUNCTION**PART 1: DESCRIPTIVE QUESTIONS**

1. Why is there a need for the government to resort to resource allocation? [M19 – 3M]
2. Explain the role of government in a market economy as stated by Richard Musgrave. [M18 – 3M]
3. What is the rationale for government intervention in allocation of resources? [MTP2 M18 – 3M]

PART 2: OBJECTIVE QUESTIONS

4. What is allocation function of Fiscal Policy? [N18 – 2M]

2. FISCAL POLICY**PART 1: DESCRIPTIVE QUESTIONS**

1. Describe the limitations of fiscal policy [M19 – 3M]
2. Define the Contractionary Fiscal Policy. What under this policy are to be adopted to eliminate the inflationary gap? [N18 – 3M]
3. Describe the meaning and mechanism of 'Crowding out' effect of public expenditure. [M18 – 3M]
4. What should be the public revenue and expenditure policy during recession? [RTP – N18]
5. Fiscal policy plays a significant role in reducing inequality and achieving equity and social justice. Do you agree? Substantiate your answer with examples. [RTP – N18]
6. Distinguish between 'pump priming' and 'compensatory spending'? [RTP – N18, MTP1 N18 – 3M]
7. Explain the objectives of Fiscal Policy. [M18 – 3M]
8. Examine what types of fiscal policy measures are useful for redistribution of income in an economy? [RTP – M18]
9. Analyse what should be the tax policy during recession and depression? [RTP – M18]

PART 2: OBJECTIVE QUESTIONS

10. What is meant by expansionary fiscal policy under what circumstances do government pursue expansionary policy? [M19 – 2M]
11. What do you understand by the term 'final good'? [MTP1,2 M19 – 2M]
12. Explain the term Contractionary Fiscal Policy. What are the measures under taken in a contractionary fiscal policy? [MTP1 M19 – 2M]
13. If an economy has a flat aggregate expenditure function, what would be the nature of the multiplier? [MTP1 N18 – 2M]
14. What would be the effect of automatic stabilizers on multiplier? [MTP1 M18 – 2M]

3. MARKET FAILURE AND GOVERNMENT INTERVENTION TO CORRECT MARKET FAILURE**PART 1: DESCRIPTIVE QUESTIONS**

1. Explain why government imposes price ceilings [MTP1 M19 – 3M]
2. Define the market failure. Why do markets fail? [N18 – 3M]
3. How do Governments correct market failure resulting from demerit Goods? [N18 – 3M]
4. What is the major determinant of the economic functions of a government? [RTP – M19]
5. Distinguish between private cost and social cost [RTP – M19]

6. Describe the term 'Tragedy of commons' [RTP – M19]
7. Explain the concept of adverse selection. What are the possible consequences of adverse selection? [RTP – M19]
8. Why do you consider national defence as a public good? [RTP – M19]
9. Define information failure [RTP – M19]
10. Explain the different types of externalities? How do externalities lead to welfare loss of markets? [RTP – N18]
11. Describe price ceilings with examples. [RTP – N18]
12. Define the concept of market failure. Describe the different sources of market failure. [RTP – M18]
13. Explain the term quasi-public goods. [RTP – M18]
14. Explain the different types of Externalities? How Externalities lead to welfare loss of markets? [MTP2 M19 – 3M]
15. Define information failure. [MTP2M19 N18 – 3M]
16. What should the market price reflect for achieving economic efficiency? [MTP2 N18 – 3M]
17. What is the rationale for government intervention in allocation of resources? [MTP2 N18 M19 – 2M, –3M]
18. Explain the concept of adverse selection. What are the possible consequences of adverse selection? [MTP2 N18 – 3M]
19. Define Externalities? Given example of each type of externalities. [MTP1 M18 – 3M]
20. Define public good. Why do you consider national defence as a public good? [MTP1 M18 – 3M]

PART 2: OBJECTIVE QUESTIONS

21. Define 'Market power'. What is its disadvantage? [M19 – 2M]
22. What is meant by quasi-public goods? [M19 – 2M]
23. How the Government intervenes to ensure stability in price level? [N18 – 2M]
24. Explain the concept of Social Costs. [N18 – 2M]
25. Describe features of public goods. [M18 – 2M]
26. Which types of Government interventions are applied for correcting information failure? [M18 – 2M]
27. Explain the term on market failure [MTP1 M19 – 2M]
28. Explain why government imposes price ceilings? [MTP2 M19 – 2M]
29. Define optimal output from the point of view of social welfare? [MTP2 M19 – 2M]
30. Define 'moral hazard'. [MTP2 N18 – 2M]
31. Distinguish between private cost and social cost. [MTP1 N18 – 2M]
32. Define 'Moral Hazard'. [MTP1 N18 – 2M, MTP1 M18 – 2M]
33. Why is it difficult for the government to determine the optimal quantity of a public good? [MTP2 M18 – 2M]
34. Define common resources? Why are they over used? [MTP1 M19 – 2M]

PART 3: PROBLEMS

35. Identify the market outcomes for each of the following situations [RTP – M18]
 - i) A few youngsters play loud music at night. Neighbors may not be able to sleep.
 - ii) Ram buys a large SUV which is very heavy. lii) X smokes in a public place.
 - iv) Rural school students are given vaccination against measles.
 - v) Traffic congestion making travel very uncomfortable.

36. Classify each of the following goods based on their characteristics. Mention the rationale. [MTP1 N18 – 3M]
 i) Open-access Wi-Fi networks ii) Roads with toll booths iii) Parks
37. Suppose a fertilizer plant dumps effluents into a river, why is it called an externality? [MTP2 M18 – 3M]
38. Suggest reasons why education and health care might be considered as merit goods to be provided by government? [MTP2 M18 – 5M]
39. You are the Finance Minister of India. You find that the country is passing through recession. As Finance Minister what suggestions will you make to the Government of India to bring the country out of recession. Justify your answer. [MTP1 M18 – 5M]

4. NATIONAL INCOME ACCOUNTING

PART 1: DESCRIPTIVE QUESTIONS

1. Differentiate between 'taxes on production' and 'product taxes' [RTP – M19]
2. Distinguish between non-economic activities and economic activities? [RTP – M19]
3. Define National Income. Draw the basis of distinction between GDP at current and constant prices. [RTP – M18]
4. How are the following transactions treated in national income calculation? What is the rationale in each case? [MTP2 M18 – 3M]
 i) Electricity sold to a steel plant. ii) Electric power sold to a consumer household.
 iii) A set of four tyres produced by MRF in 2017 and sold to Suzuki to be put on a 2017 car.

PART 2: OBJECTIVE QUESTIONS

5. What are the conceptual difficulties in the measurement of national income? [M19 – 2M]
6. Explain the Concept of Gross National Product at market price (GNP_{MP}). [N18 – 2M]
7. Distinguish between Nominal and Real GDP. [MTP2 M18 – 2M]
8. The citizens of Country X undertake numerous non-market transactions. What impact do these transactions have on GDP? [MTP2 M18 – 2M]
9. Distinguish between Personal Income and Disposable Personal Income. (or) How does Personal Income differ from Disposable Personal Income? [N18 – 3M, RTP N18, MTP1 M18 – 2M]

PART 3: PROBLEMS

10. Suppose in an economy: [M18 – 5M]

Consumption Function (C)	= $150 + 0.75 Y_d$,
Autonomous Investment (I)	= Rs. 100
Government Expenditure G	= Rs. 115
Taxes (T)	= $T_x = 20 + 0.20Y$
Transfer payments	= $T_r = 40$
Exports (X)	= Rs. 35
Import Function (M)	= $15 + 0.1Y$

Where, Y and Y_d are national income and personal disposable income respectively. All figures are in Rupees. Find:

- (i) The equilibrium level of national income
 (ii) Consumption at equilibrium level
 (iii) Net Exports at equilibrium level
11. Using the information given in the following table calculate, [RTP – M19]
 (i). Value added by firm A and firm B
 (ii). Gross Domestic Product at Market Price

(iii). Net Domestic Product at Factor Cost.

Particulars	Rs crore
(i) Sales by firm B to general government	300
(ii) Sales by firm A	1,500
(iii) Sales by firm B to households	1,350
(iv) Change in stock of firm A	200
(v) Closing stock of firm B	140
(vi) Opening stock of firm B	130
(vii) Purchases by firm A	270
(viii) Indirect taxes paid by both the firms	375
(ix) Consumption of fixed capital	720
(x) Sales by firm A to B	300

12. Suppose in an economy:

[MTP2 M19 – 3M]

Consumption Function (C)	= $100 + 0.9 Y_d$, where $Y_d = Y - T$
Autonomous Investment (I)	= Rs. 100 crores
Government Expenditure G	= Rs. 120 crores
Taxes (T)	= Rs. 50 crores
Exports (X)	= Rs. 200 crores
Import Function (M)	= $100 + 0.15 Y$

Where Y and Y_d National Income and Personal Disposable Income respectively. All the figures are in Rupees. Find the Equilibrium level of GDP

13. Calculate (a) GDPMP and (b) NNPPC from the following data:

[MTP2 M19 – 5M]

Particulars (Rs)	In Crore
(i) Net indirect tax	208
(ii) Consumption of fixed capital	42
(iii) Net factor income from abroad	40
(iv) Rent	311
(v) Profits	892
(vi) Interest	81
(vii) Royalty	6
(viii) Wages and salary	489
(ix) Employer's contribution to Social Security Scheme	50

14. Compute GNP at factor cost and NDP market price using expenditure method from the following data

Personal Consumption expenditure	2,900
Imports	300
Gross public Investment	500
Consumption of fixed capital	60
Exports	200
inventory Investment	170
Government purchases of goods &, services	1,100

Gross Residential construction Investment	450
Net factor Income from abroad	(-) 30
Gross business fixed Investment	410
Subsidies	80

15. From the following data, compute the Gross National Product at Market Price (GNP_{MP}) using value added method. [M18 – 3M]

Particulars	(Rs. In crores)
Value of output in secondary Sector	1,000
Intermediate consumption in primary sector	300
Value of output in Tertiary Sector	3,000
Intermediate consumption in secondary sector	400
Net factor income from abroad	(100)
Value of output in Primary Sector	800
Intermediate consumption in Tertiary sector	900

16. Calculate Gross National Disposable income from the following data [RTP – N18]

Particulars	(Rs. In crores)
NDP at factor cost	6,000
Net factor income to abroad	(300)
Consumption of fixed capital	400
Current transfers from government	200
Net current transfers from rest of the world	500
Indirect taxes	700
Subsidies	600

17. You are given the following data on an economy: [RTP – M18]

Particulars	(Rs. In millions)
NDP at factor cost	6,000
Net factor income to abroad	(300)
Consumption of fixed capital	400
Current transfers from government	200
Net current transfers from rest of the world	500
Indirect taxes	700
Subsidies	600

- Calculate the Gross Domestic Product at market prices.
- Calculate the Gross National Income at market prices.
- Calculate the Gross Domestic Product at factor cost.

Calculate the per capita Gross National Income at factor cost.

18. Calculate (a) GDP_{MP} and (b) NNP_{FC} from the following data: [MTP2 N18 – 3M]

Particulars	Rs. In Crores
Net Indirect Taxes	208
Consumption of Fixed Capital	42
Net Factor Income from abroad	(40)
Rent	311
Profits	892

Interest	81
Royalty	6
Wages and Salary	489
Employer's contribution to Social Security Scheme	50

19. Estimate national Income by (a) Expenditure Method (b) Income Method From Following data.

[MTP1 N18 – 3M]

Particulars	Rs. In Crores
Private Final Consumption Expenditure	210
Govt. Final Consumption Expenditure	50
Net domestic capital Formation	40
Net Exports	(5)
Wages and Salaries	170
Employer's Contribution	10
Profit	45
Interest	20
Indirect Taxes	30
Subsidies	05
Rent	10
Factor Income from abroad	03
Consumption of Fixed Capital	25
Royalty	15

20. Find GDP_{MP} and GNP_{MP} from the following data using Income method. Show that it is the same as that obtained by Expenditure method.

[MTP1 M18 – 5M]

Particulars	Rs. In Crores
Personal Consumption	7,314
Depreciation	800
Wages	6,508
Indirect Business Taxes	1,000
Interest	1,060
Domestic Investment	1,442
Government Expenditures	2,196
Rental Income	34
Corporate Profits	682
Exports	1,346
Net Factor Income from Abroad	40
Mixed Income	806
Imports	1,408

5. THE KEYNESIAN THEORY OF DETERMINATION OF NATIONAL INCOME

PART 1: DESCRIPTIVE QUESTIONS

1. Define multiplier. What is the range of values it can take? [RTP – M19]
2. How do imports affects investment multiplier? [RTP – M19]
3. An increase of investment by Rs. 600 Crores resulted in an increase in national income by 2400 Crores. Find MPC and MPS. [RTP – M19]
4. What would happen if aggregate expenditures were to exceed the country's economy's production capacity? [RTP – N18]

5. What effects do income leakages have on multiplier? [RTP – N18]
6. Define consumption function? Examine what would happen if aggregate expenditures were to exceed the economy's production capacity? [RTP – M18]
7. Define aggregate demand. How do you derive the Keynesian aggregate demand schedule [MTP M19 – 3M]

PART 2: OBJECTIVE QUESTIONS

8. Given Consumption function $c = 300 + 0.75Y$; [M19 – 2M]
Investment –Rs 800; Net Imports = Rs 100
Calculate equilibrium level of output.
9. When investment in an economy increases from RS.10,000 crore 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 [M19 – 2M]
10. What is the nature of relationship between investment and income according to Keynes? [MTP1 M19 – 2M]
11. The equilibrium level of income of an economy is Rs. 2,000 cores. The autonomous consumption expenditure is equal to Rs.100 cores and investment expenditure is Rs.500 cores. Calculate. [MTP1 M19 – 2M]
(i) Consumption expenditure level of National Income.
(ii) Marginal propensity to save and Marginal propensity to consume
(iii) Break-even level of Income.
12. Explain the leakages and injections in the circular flow of income. [MTP2 N18 – 2M]
13. Define Marginal Propensity to Consume (MPC) [MTP2 M18 – 2M]
14. An increase of investment by Rs. 600 Crores resulted in an increase in national income by 2,400 Crores. Find MPC and MPS? [MTP2 N18 – 2M]
15. Suppose that the consumption function is $C = 200 + 0.6Y$ and the income level is 2000 billion. Calculate what consumers intend to consume and save at this income level. [MTP1 M18 – 2M]
16. Explain the leakages and injections in the circular flow of income. [M18 – 2M]
17. Calculate the Average Propensity to Consume (APC) and Average Propensity to Save (APS) from the following data: [N18 – 2M]
- | Income | Consumption |
|--------|-------------|
| 4,000 | 3,000 |
18. Calculate the Marginal propensity to Consume (MPC) and Marginal Propensity to Save (MPS) from the following data: [M18 – 2M]
- | Income (Y) | Consumption I | Level. |
|------------|---------------|---------------|
| Rs. 8,000 | Rs.6,000 | Initial level |
| Rs.12,000 | Rs.9,000 | Changed level |
19. The equilibrium level of real GDP is Rs 1,000 billion, the full employment level of real GDP is Rs 1,250 billion, and the marginal propensity to consume (MPC) is 0.60. How much government spending (ΔG) would be needed to raise income to full-employment level? [MTP1 N18 – 2M]

PART 3: PROBLEMS

20. In a two sector model Economy, the business sector produces 7,500 units at an average price of 7.
i) What is the money value of output? [N18 – 5M]
ii) What is the money income of Households?
iii) If households spend 75% of their income, what is the total consumer expenditure?

iv) What is the total money revenue received by the business sector?

v) What should happen to the level of output?

21. Suppose in an economy : [M18 – 5M]

Consumption Function : $C = 150 + 0.75 Y_d$

Investment Spending : $I = 100$

Government spending : $G = 115$

Tax : $T_x = 20 + 0.20Y$

Transfer Payments : $T_r = 40$

Exports : $X = 35$

Imports : $M = 15 + 0.1 Y$

Where, Y and Y_d are National Income and Personal Disposable Income respectively. All figures are in rupees.

Find:

i) The equilibrium level of National Income.

ii) Consumption at equilibrium level. iii) Net Exports at equilibrium level.

22. An Economy is stabilization by the following equations: [RTP – N18]

Consumption I : $= 100 + 0.9 Y_d$

Investment (I) : $= 100$

Government Expenditure (G) : $= 120$

Tax (T) : $= 50$

X (Exports) : $= 200$

M (Imports) : $= 100 + 0.1 Y$

i) What is the equilibrium Income?

ii) Calculate trade balance. iii) What is the value of Foreign Trade Multiplier?

23. For an Economy with the following specifications [RTP – M18]

Consumption I : $= 50 + 0.75 Y_d$

Investment (I) : $= 100$

Government Expenditure (G) : $= 200$

Transfer Payments I : $= 110$

Income Tax : $= 0.2Y$

i) Find out the equilibrium of income and the value of expenditure multiplier.

ii) If autonomous taxes worth Rs. 25 Crores are added. Find out equilibrium level of Income.

iii) If the economy is opened up with exports $X = 25$ and imports $M = 5 + 0.25Y$ Calculate the new level of Income and balance of Trade (Assume that there are no autonomous Taxes.)

24. Suppose an economy: [MTP2 N18 – 5M]

Consumption Function I : $= 200 + 0.6 Y_d$, where $Y_d = Y - T$

Autonomous Investment (I) : $= \text{Rs. } 600 \text{ crores}$

Government Expenditure G : $= \text{Rs. } 900 \text{ crores}$

Taxes (T) : $= \text{Rs. } 100 \text{ crores}$

Exports (X) : $= \text{Rs. } 200 \text{ crores}$

Import Function (M) : $= 50 + 0.3 Y$

Where Y and Yd National Income and Personal Disposable Income respectively.

Find Out:

- i) Equilibrium level of GDP ii) Disposable Income iii) Net Exports at Equilibrium GDP

25. You are given the following data on an economy: (Rs. In Crores) [MTP1 N18 – 5M]
- | | | |
|--|---|-----|
| Investment expenditure (I) | : | 250 |
| Government expenditure on goods and services (G) | : | 800 |
| Exports (X) | : | 600 |
- All tax revenues are derived from a uniform rate of income tax of 30% of income.
- Consumption expenditure is given by: $C = 0.75 Y_d$; Where: Y_d is disposable national income (i.e. income less taxes) and C is consumption expenditure
- Import expenditure is given by: $M = 0.15 Y$ Where: Y is national income and M is import expenditure
- i) Calculate the equilibrium value of National Income.
- ii) Calculate the Current Account Balance at the equilibrium value of National Income.
- iii) Calculate the Fiscal Surplus (+) or Deficit (-) at the equilibrium value of National Income.
26. The equilibrium level of real GDP is Rs 1,000 billion, the full employment level of real GDP is Rs 1,250 billion, and the marginal propensity to consume (MPC) is 0.60. How much government spending (ΔG) would be needed to raise income to full-employment level? [MTP2 M18 – 3M]
27. An increase of investment by Rs. 600 Crores resulted in an increase in national income by 2400 Crores. Find MPC and MPS. [MTP1 M18 – 3M]

6. MONEY MARKETS

PART 1: DESCRIPTIVE QUESTIONS

- Describe the determinants of demand for money as identified by Milton Friedman in his re-statement of Quantity Theory of demand for money. [M19 – 3M]
- "Money has four functions: a medium measure, a standard and a store ".Elucidate [M19 – 3M]
- Describe the determinants of demand for money as identified by Milton Friedman in his re-statement of Quantity Theory of demand for money. [M19 – 3M]
- Explain the following modified equation of exchange as given by Irving Fisher. [M18 – 3M]
 $MV + M'V' = PT$
- Explain why people hold money according to Liquidity Preference Theory. [M18 – 3M]
- Explain the function of money as a unit of account? [RTP – M19]
- Examine the different variables on demand for money according to inventory theoretic approach. [RTP – M19]
- Which of the functions of money do the following items satisfy? [RTP – M19]
(i) A credit card. (ii) A token of specified amount of money which can be used for shopping
- Critically examine the post Keynesian theories of demand for money? [RTP – N18]
- In Keynesian analysis of speculative demand for money, how will demand for money be affected if people feel that the level of interest is very high? What is the rationale behind their choice? [RTP – N18]
- Do you think money is a unique store of value? [RTP – N18]
- Explain the money multiplier approach to money supply. [RTP – N18]
- Explain how speculative motive for holding cash is related to market interest rate. [RTP – M18]
- Describe the treatment of transactions demand for money as per Baumol and Tobin's model. [RTP – M18]

15. Describe the different determinants of money supply in a country. [RTP – M18]
16. Examine what would be the effect on money multiplier if banks hold excess reserves? [RTP – M18, MTP2 M18 – 3M]
17. Outline different components of monetary policy framework for India? [MTP1 M19 – 3M]
18. Define permanent income and state its relationship to demand for real money balances [MTP2 M19 – 3M]
19. How would each of the following affect money multiplier and money supply? [MTP1 M19 – 3M]
- (i) Fearing shortage of money in ATMs, people decides to hoard money.
- (ii) Banks open large number of ATMs all over country.
- (iii) During the festival season, people decide to use ATMs very often.
20. Explain the concept of Demand for Money [MTP1 M19 – 3M]
21. Explain the function of money as a unit of account? [MTP2 N18 – 3M]
22. Explain the Cambridge Version of Cash Balance Approach: $M_d = k P Y$ [MTP1 N18 – 3M]
23. Define money supply. Describe the different components of money supply. [MTP2 M18 – 3M]
24. Define Money multiplier? What is the nature of relationship between money multiplier and money supply? [MTP1 M18 – 3M]

PART 2: OBJECTIVE QUESTIONS

25. 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 [M19 – 2M]
26. Mention the general characteristics of Money. [N18 – 2M]
27. Write a note on two major components of Reserve Money [MTP1 M19 – 2M]
28. Explain the functioning of SLR? [MTP1 M19 – 2M]
29. Define Money Multiplier [MTP1 N18 – 2M]
30. If commercial banks in India decide to hold more excess reserves, how would it affect the money multiplier and money supply? [MTP2 M18 – 2M]
31. List the general characteristics that money should possess? [MTP2 M18 – 2M]
32. Explain how higher of interest rate affect the demand for money. [MTP1 M18 – 2M]
33. What will be the total credit created by the commercial banking system for an initial deposit of Rs. 1000 for required reserve ratio 0.02, 0.05 and 0.10 per cent respectively? Compute credit multiplier. [MTP1 M18 – 2M]

Part-3 PROBLEMS

34. Compute .M-I supply of money from the data given below : [M19 – 3M]
- | | |
|-----------------------------|-------------------|
| Currency with public | 2,13,279.8 Crores |
| Time deposits with bank | 3,45,000.7 Crores |
| Demand deposits with bank | 1,62,371.5 Crores |
| Post office savings deposit | 382.9 Crores |
| Other deposits of RBI | 7 65.1 Crores |
35. Define Reserve Money? Compute the Reserve Money from the following data [RTP – M19]
- Published by RBI.
- | Components | (In billions of Rs) As
on 7th July 2018 |
|---------------------------|--|
| Currency in circulation | 15,428.40 |
| Bankers Deposits with RBI | 4,596.18 |
| Other Deposits with RBI | 183.30 |

36. The RBI Published the following data as on 31st March, 2018. You are required to compute M_4 : [N18 – 3M]

Particulars	(in crores)
Currency with the public	1,12,206.6
Demand Deposits with Banks	1,93,300.4
Net Time Deposits with Banks	2,67,310.2
Other Deposits of RBI	614.8
Post Office Savings Deposits	277.5
Post Office National Savings Certificates (NSCs)	110.5

37. What would be the impact of each of the following on credit multiplier and money supply? [M18 – 3M]

- If commercial Banks keep 100 percent reserves.
- If commercial Banks do not keep reserves. lii) If commercial Banks keep excess reserves.

38. Explain how each of the following may affect money multiplier and money supply? [RTP – N18]

- Fearing shortage of money in ATM's, people decide to hoard money?
- During festival season, people decide to withdraw money through ATMs very often

7. MONETARY POLICY

PART 1: DESCRIPTIVE QUESTIONS

- Explain the difference between Liquidity Adjustment Facility (LAF) and Marginal standing Facility (MSF). [M18 – 3M]
- Explain the different mechanism of monetary policy which influences the price-level and national income. [N18 – 3M]
- Explain the operational procedure of the monetary policy of India? [RTP – M19]
- What is meant by 'monetary policy instruments'? [RTP – N18]
- Explain the function of SLR? What are the eligible securities of SLR? [RTP – N18]
- What role does Market Stabilization Scheme (MSS) play in our economy? [RTP – M18]
- Write a note on Cash Reserve Ratio (CRR). Explain the operation of CRR. [RTP – M18]
- Describe rationale for the Stabilization function of government policy [MTP1 M19 – 3M]
- Explain the effects of monetary policy through balance sheet channel [MTP2 M19 – 3M]
- Explain the effects of monetary policy through the exchange rate channel? [MTP2 N18 – 3M]
- Define CRR. How is CRR used as a policy instrument? [MTP2 N18 – 3M]
- Explain how Reserve Bank of India acts as a 'lender of last resort' to commercial banks? [MTP2 N18 – 3M]
- Explain how Reserve Bank of India acts as a 'lender of last resort' to commercial banks? Or Explain the operation of Marginal Standing Facility? [MTP1 N18 – 3M]
- What is meant by Liquidity Adjustment Facility (LAF)? How does it help commercial banks? [MTP1 N18 – 3M]
- What is meant by 'monetary policy instruments'? [MTP1 N18 – 3M]
- What's the distinction between direct and indirect instruments of Monetary Policy? [MTP2 M18 – 3M]
- Account for cash reserve ratio as a monetary policy instrument. [MTP1 M18 – 3M]

PART 2: OBJECTIVE QUESTIONS

- Explain the Monetary Policy Framework Agreement. [N18 – 2M]

19. How do changes in Cash Reserve Ratio (CRR) impact the economy? [M18 – 2M]
20. What is meant by open market operations? [MTP2 M19 – 2M]
21. What is the role of Liquidity Adjustment Facility? [MTP2 N18 – 2M]
22. How do changes in Statutory Liquidity Ratio impact the economy? [MTP1 M18 – 2M]

8. THEORIES OF INTERNATIONAL TRADE

PART 1: DESCRIPTIVE QUESTIONS

1. Explain the classical theory of Comparative Advantage as given by David Ricardo. [M19 – 3M]
2. How does international trade increase, economic Efficiency? Explain. [M19 – 3M]

PART 2: PROBLEMS

3. The table given below shows the number of labour hours required to produce Sugar and Rice in two countries X and Y: [N18 – 3M]

Commodity	Country X	Country Y
1 unit of Sugar	2.0	2.0
1 unit of Rice	4.0	4.0

- i) Compute the Productivity of labour in both countries in respect of both commodities.
- ii) Which country has absolute advantage in production of Sugar?
- iii) Which country has absolute advantage in production of Rice?
4. The table below shows the number of labour hours required to produce wheat and cloth in two countries X and Y. [MTP1 M19 M18 – 3M]

Commodity	Country X	Country Y
1 Unit of Cloth	4	1.0
1 Unit of Wheat	2	2.5

- i) Compare the productivity of labour in both countries in respect of both commodities
- ii) Which country has advantage in the production of wheat?
- iii) Which country has absolute advantage in the production cloth?
5. [MTP2 M18 – 3M]

Good X	Country A (in \$)	Country B (in \$)	Country C (in \$)
Average Cost	30.5	29.4	30.9
Price per unit for domestic Sales	31.2	31.1	30.9
Price Charged in Country D	31.9	30.6	30.6

Please refer to the table below.

- i) Which of the three exporters engage on anticompetitive act in the international market while pricing its export of goods X to Country D?
- ii) What would be effect of such pricing on domestic producers of Good X? Advise remedy available for country D?

9. TRADE POLICY – TRADE NEGOTIATIONS

PART 1: DESCRIPTIVE QUESTIONS

1. Describe the objectives of world trade organization(WTO) [M18 – 3M]
2. What is local content requirement? How will it affect trade? [RTP – M19]

3. What is meant by trade distortion? [RTP – M19]
4. Explain how 'technical barriers to trade' (TBT) may operate as a protectionist measure? [RTP – N18]
5. How does the WTO address the special needs of developing and the least developed countries? [RTP – N18]
6. What's meant by free trade area? [RTP – N18]
7. What are the objectives of the Agreement on Agriculture (AOA)? [RTP – N18]
8. What are the major functions of the WTO? What do you understand by the term 'Most-favored-nation' (MFN)? [RTP – M18]
9. Define 'dumping'? What is meant by an 'Anti-dumping' measure? [RTP – M18]
10. What are the principles governing application of Sanitary and Phytosanitary measures? [MTP2 M18 – 3M]
11. Explain with example how Ad Valorem Tariff is levied. [N18 – 3M]
12. What is meant by free trade policy? [MTP2 N18 – 3M]

PART 2: OBJECTIVE QUESTIONS

13. What is meant by 'Mixed tariffs'? [M19 – 2M]
14. "World Trade Organisation (WTO) has a three-tier system of decision making." Explain. [N18 – 2M]
15. What do you mean by anti-dumping duties? [M18 – 2M]
16. Define quantitative restrictions? Are QRs allowed under the WTO? What are the exceptions? [MTP2 M18 – 2M]
17. Examine why General agreement in Tariff & Trade (GATT) lost its relevance. [M18 – 2M]
18. How do affect import tariffs International Trade? [M18 – 2M]
19. What is meant by trade distortion? [MTP2 M 19 – 2M]
20. Explain how decline in interest rates influence economic activity by changing the incentives for households and businesses to save or invest. [MTP2 M19 – 2M]
21. Distinguish between domestic subsidy and export subsidy? [MTP2 M 19 – 2M]
22. What is meant by 'Voluntary Export Restraints'? [MTP2 N18 – 2M]
23. What is meant by 'safeguard measures' under WTO? [MTP2 N18 2M, MTP1 N18 – 2M]
24. What do you understand by the term 'Most-Favored-Nation' (MFN)? [MTP1 N18 – 2M]

PART 3: DIFFERENCES

25. Distinguish between 'non-tariff measures' and 'non-tariff barriers' [RTP – N18]

10. EXCHANGE RATE AND ITS ECONOMIC EFFECTS

PART 1: DESCRIPTIVE QUESTIONS

1. Enumerate six important effects of depreciation in exchange rate on domestic economy? [MTP1 M18 – 5M]
2. Distinguish between foreign direct investment (FDI) and Foreign Portfolio Investment (FPI) [M19 – 3M]
3. How do foreign direct investments affect human capital in recipient countries? [RTP – M19]
4. How is exchange rate determined under floating exchange rate regime? [RTP – M19]
5. Explain the effect of currency devaluation? Do you think a weak currency is advantageous to a country? [RTP – N18]
6. Explain the nature of changes in exchange rates and their impact on real economy? [RTP – M18]

PART 2: OBJECTIVE QUESTIONS

7. List the point of difference between fixed exchange rate and floating exchange rate. [M18 – 2M]

8. Define Foreign Direct Investment (FDI). Mention two arguments made in favor of FDI to developing economies like India? [MTP1 M19 – 2M]
9. What is the objective of policies requiring foreign entities to procure local contents? [MTP2 M19 – 2M]
10. What is meant by Crowding out? [MTP1 M19 – 2M]
11. What is meant by devaluation? [MTP2 N18 – 2M]
12. Mention the types of Transactions in the FOREX market? [MTP N18 – 2M]
13. Define Real Effective Exchange Rate (REER)? [MTP1 N18 – 2M, MTP2 M18 – 2M]
14. What is Arbitrage? What is the outcome of Arbitrage? [MTP1 N18 – 2M]
15. Explain the Real Exchange Rate. [MTP1 M18 – 2M]
16. The Nominal Exchange rate of India is Rs.56 / 1 \$, Price Index in India is 116 and Price Index in USA is 112. What will be the Real Exchange Rate of India? [N18 – 2M]

11. INTERNATIONAL CAPITAL MOVEMENTS

PART 1: DESCRIPTIVE QUESTIONS

1. using suitable diagram , explain , how the nominal exchange rate between two countries is determined? [M19 – 3M]
2. What are the modes of Foreign Direct Investment (FDI)? [N18 – 3M]
3. Enumerate the bases of distinction between FDI and FPI [RTP – N18, MTP2 M18 – 5M]
4. Define foreign direct investment (FDI). Mention two arguments made in favour of FDI to developing economies like India? [RTP – M18]
5. What is Arbitrage? What is the outcome of Arbitrage? [MTP1 M19 – 3M]
6. What do you understand by the term 'cross rate'? [MTP2 M19 – 3M]
7. What is the rationale behind resource seeking foreign direct investments? [MTP1 N18 – 3M]
8. What's meant by Foreign Portfolio investment? [MTP1 M18 – 3M]

PART 2: OBJECTIVE QUESTIONS

9. Explain depreciation and appreciation of home currency under floating exchange rate [M19 – 2M]
10. Describe deterrents to Foreign Direct Investment (FDI) in the country. [M18 – 2M]
11. What are the different routes for securing FDI? [MTP2 N18 – 2M]

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To **MASTER MINDS**, Guntur

THE END