



Chhatrapati Shahu Ji Maharaj  
University, Kanpur

**Answer Script Details**  
**Barcode** 8117224

**Roll No.** 24023000043  
**Total Mark** 60/75.00

**Exam** MASTER OF ARTS\_ODD EXAM-DEC-24  
**Subject** A080702T - MACRO ECONOMIC ANALYSIS - I

**Question wise Mark Summary**

**Q.No Mark Q.No Mark Q.No Mark Q.No Mark**

1A 4/5

1B 4/5

1C 4/5

1D 4/5

1E 4/5

1F 4/5

1G 4/5

1H 4/5

1I 4/5

2 NA/15

3 NA/15

4 NA/15

5 12/15

6 NA/15

7 NA/15

8 NA/15

9 12/15

# Chhatrapati Shahu Ji Maharaj University Kanpur, Uttar Pradesh

**PART-II**

MARKS OBTAINED

Q.	1	2	3	4	5	6	7	8	9	10
(a)										
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Paper Code

Signature of Evaluator

COE Facsimile  
*Shreya*

Signature of Invigilator  
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Signature of Candidate  
*Shreya*

Date of Exam: 18/12/24 Shift: 1st Room No: 228  
 Paper Code: A080702T Subject: Macro Year: 1st  
 Name of Candidate: Shreya Yadav  
 Roll No: 24023000043

Course: MAEC  
 Session: 2024 Year Semester: 1st  
 Subject Name: Macroeconomic  
 Medium: English  Hindi

कॉलेज का कोड College Code      परीक्षा केंद्र का कोड Exam Centre Code

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H	J	3	3	3	H	J	3	3	3
K	K	4	4	●	K	K	4	4	●
L	L	5	5	5	L	L	5	5	5
R	M	6	6	6	R	M	6	6	6
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परीक्षा का प्रकार Type of Exam

Regular       Eng-Student  
 Private       Back Paper Exam

ANSWER BOOKLET NO.

8117224

A080702T  
Paper Code



Paper Code: A080702T  
 Exam Date: 18/12/2024  
 Name of Candidate: SHREYA YADAV  
 Father's Name: FATEH AHADUR

Enrolment Number: CSJMA24000063553  
 Candidate's Roll Number: 24023000043      Paper Code: A080702T

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*Shreya*  
Signature of Candidate

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Signature of Invigilator

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CS Facsimile

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COE Facsimile

नोट: 1. परीक्षार्थी को निर्दिष्ट किया जाता है कि आवरण घटने से कुछ ध्यान से अधिक सखी निर्देशों को सावधानीपूर्वक पढ़ें।  
 2. बॉक्स में धरी जाने वाली प्रतिक्रियाएँ सखी सफ़ा से शुद्ध की जायें। 3. गोली को काले या नीले बॉलपेन से भरा जायें।

### INSTRUCTION TO THE CANDIDATE FOR FILLING PART-I

1. Read the instructions carefully given on the answer script and admit card.
2. Write Date of Exam, Shift, Paper Code & Name of Subject Correctly.
3. Write Name & Roll No. Correctly.
4. Write Semester & Branch Correctly.

### INSTRUCTION TO THE CANDIDATE FOR FILLING PART-III

1. Use blue or black ball point pen for writing alphabets & numerals in  boxes.
2. Carefully study the example before you start marking.
3. As shown in the example below, blacken the circles completely.



4. Make no Stray marks on this sheet.

**5. DO NOT WRITE OR MARK ON THE BAR CODE.**

### IN ORDER TO AVOD UFM ( UNFAIR MEANS ) :

1. The Roll No. and Answer Book no. found elsewhere or any other symbol found in the answer book will be treated as unfair means.
2. Any tampering of Bar Code and Booklet no shall be treated as Unfair Means.
3. Do Not bring the materials like slip of paper/mobile/digital diaries/ study material/ revision notes in examination hall. Possession of the mobiles/ digital diaries/electronic/digital/ watch and any other electronic gadget except memory less scientific calculator shall be considered as UFM case.
4. Do not keep or paste currency note in answer script it shall be consider as UFM.

### अनुचित साधन से बचने हेतु :

1. उत्तर पुस्तिका के निर्दिष्ट स्थान को छोड़कर अनुसूचक एवं उत्तरपुस्तिका का इलाक़ कहीं और न लिखें तथा कोई भी चिन्ह न बनायें क्योंकि यह अनुचित साधन प्रयोग की धरिधि में आता है।
2. उत्तर पुस्तिका के सारबोद अथवा उत्तर पुस्तिका सुझा पर प्रेस छाप करने पर अनुचित साधन प्रयोग माना जायेगा।
3. परीक्षा कक्ष में फ्लिप बस्तुएं साथ न लायें, जैसे किताबें हूट अथवा कोट, टुकड़ें, मोबाइल, डिजिटल कालरी, डिजिटल क्लॉक, काली, घुलक पद कभी कालू जो अनुचित साधन की अन्तर्गत आती है। केवल संशोधित प्रश्नपत्र में ही वैज्ञानिक लेस काल्ट्रॉनिक कालकुलेटर ले जाने की अनुमतिवात होगी।
4. उत्तर पुस्तिकाओं में रूपसे न रखें न ही उत्तर पुस्तिका में लिखवायें। ऐसा करना अनुचित साधन प्रयोग की धरिधि में आता है।

### परीक्षार्थियों को दिखाने हेतु

1. प्रश्न पत्र एवं उत्तर पुस्तिका पर दिखे गये निर्देशों को ध्यान से पढ़ें।
2. उत्तर पुस्तिका के दूसरी तरफ़ कुछ न लिखें।
3. उत्तर पुस्तिका के पृष्ठों पर दोषों तरफ़ लिखें।
4. प्रश्न पत्र पर अपने अनुसूचक को अधिलेखित कुछ न लिखें।
5. प्रश्न पत्र कोड एवं प्रश्न पत्र ID सारबोदनी पूर्णक लिखें।
6. अपनी स्थिति स्पष्ट लिखें।
7. उत्तर पुस्तिका के पृष्ठों की संख्या देखें। अगर उत्तर पुस्तिका में पृष्ठ ( 1-24) से कम है या कटे हुए है, तो शुरू होने से पूर्व दूसरी उत्तर पुस्तिका ले लें।
8. प्रश्नपत्र को देख, यदि प्रश्नपत्र के विषय कोड, विषय का नाम तथा प्रश्न न कोडें छुटे है, तो उत्तर लेनी होने से 30 मिनट के अन्दर कक्ष निरीक्षक को सारबोद सूचित करें, उत्तर ले कर विरतविद्यालय द्वारा कोडें नहीं की जायेगी।
9. प्रश्नों के उत्तर लिखने से विवेक पेंसिल का प्रयोग न करें।
10. ही कपेटी या अधिलेखित साक़ नहीं लिख जायेगा।

### INSTRUCTION TO THE CANDIDATE

1. Read the instructions carefully given on the Question Paper, Admit Card & Answer Script.
2. Do not write anything on back side of the cover page.
3. Write on both sides of pages of answer book.
4. Do not write anything on question paper except Roll Number.
5. Write Paper Code & Question Paper Id carefully.
6. CHECK the number of pages ( 1-24) or any other kind of damage in your answer script, if found than change the answer script immediately before the commencement of examination.
7. CHECK the Question Paper for any kind of discrepancy e.g. Subject Code, S Name, and Question of the Question Paper during first THIRTY MINUTES of commencement of the exam, so that it can be corrected in TIME. After that no corrections shall be entertained by the university.
8. Do not use pencil for answering the question.
9. Write status correctly e.g. those appearing in carry over papers should fill in status as Carry Over. Those appearing as Ex- Students should fill in status as ex.
10. No supplementary answer book & graph paper will be provided.

### INSTRUCTION TO THE CANDIDATE FOR FILLING PART-IV

1. Use blue or black ball point pen for writing alphabets & numerals in  Boxes.
2. Use blue or black ball point pen for filling the circles.

	1	8	1	5	4	3	2	1	6	9
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Note- If your Roll No. is of 10 digits. Please leave first three columns.



Paper Code

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## Section - A

### Question No. 1 (A)

#### Problems of measurement of national income :-

The national income of a country is defined as the monetary sum of all the goods and services i.e. the commodities that are produced in the economy. It includes other financial exchanges that take place within the country's economy like investment by firms in public or private sector, investment by businesses to fulfill the motive of <sup>profit</sup> maximization. There are various <sup>ways</sup> and other economical activities that takes place in the economy add on to the national income of that countries economy.

There are various ways through which the National Income can be measured. But a problem in any of these could lead to a significant problem or change in the final calculation of the national income.

#### 1) GDP :-

GDP is the Gross Domestic product of the



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country i.e. the goods and services that are produced within the country at a given time period (usually 1 year.) Any significant changes or mistake in calculating the country's GDP would further lead to a disturbed calculation of the National Income. GDP in Indian economy is measured as -

$$GDP = C + I + G + (X - M) \text{ --- eqn(i)}$$

In the above equation of the GDP, the following are the terms associated with it :-

C = Consumption

I = Investment

G = Government spending

M = Imports

X = Exports.

By the above equation, GDP can be described as the sum of Consumption, Investment, Government spending, and the difference of exports minus imports.

Any alteration in either of the components i.e. the consumption or investment, Gov. spending, exports & imports



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would further lead to problematic add on to the National Income.

Other problems of measurement can be -

- 1) Gap in between the data that has been taken down for the accounting of National Income.
- 2) Any data malfunction in calculating GNP i.e. the Gross Net Product would also might be a problem in National Income calculation.
- 3) Any significant changes in the income, factors of production, profits, or interest rate would disrupt the income, production and the expenditure method that are broadly used to calculate national income.



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### Question No. 1 (B)

#### Importance of Social Accounting:-

Social Accounting in economics does not only include the economic activities that takes place in the economy but also the social activities also makes it into the list of social accounting. Social accounting is a combination of records both in the economic as well as social circle. The economic accounting part involves the accounting of money exchange that takes place in the economy, the production or the commodity exchanges taking place in the economy. Therefore it involves the overall income, wages, profit accounting of the economy. Whereas the social accounting i.e. the addition of the social activities taking place in the economy constitutes a huge part of the social accounting.

To talk deeply about the importance of social accounting, the following are the ones-



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### 1) Social welfare:

While the data recorded during social analysis is both economic and social in nature, it can be of a great help to the analysis and formation of the schemes that would improve the stature of the under privileged of the society. As the social accounting data helps to deeply analyse the gaps in the social economy and plan better initiatives and welfare schemes for the betterment of the situation.

### 2) Minimizing income disparity :-

The data of the social accounting computes the information regarding the income & expenditure of the economy and therefore can help to track the disparity in income levels and with the help of various incentives to somehow try to bridge the gap between the income among the working individuals in the similar work space.

### 3) Development in social/public infrastructure:

The social accounting data can be



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chalked down to track the absence of basic infrastructure in the particular areas. We can establish the needed infrastructure for the social upliftment. This might include infrastructures like schools, colleges, hospitals etc.

4.) Boosting individual as well as overall economy.

The social accounting data can aid to the individual income as well as boost the country's economy when the differences are deeply studied.

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## Question 1(c)

### Gross National Product:

The Gross National Product i.e. GNP is the total monetary value of all the goods and services produced in the economy. The Net factor income from abroad also adds on to the final Gross National Product. The Gross National Product focuses more on the goods and services produced i.e. the commodities rather than emphasising on the location of the production of the goods and services. Therefore, it can be said that Gross National Product is not constrained to the location of production. Hence, following this the final Gross National Product includes the income and the profits that are incurred by the Indian residents (considering India as a country talked into it) that are living abroad therefore adding to the GNP in the form of Net Factor Income. While it includes the Net Factor Income there are also certain exclusivities in it like, the income produced by the foreign residents or firms in the country are not considered when



calculating the GNP. In mathematical equation form, it can be computed as:-


$$\text{GNP} = \text{GDP} + \text{NFIA} - \text{equi}$$

In the above equation, GDP refers to the Gross Domestic Product.

NFIA = Net Factor Income from Abroad.

Therefore, the GDP of a country and the NFIA  gives the country's GNP.

### Net National Product (NNP):

The Net National Product in the country is referred to as the goods and services produced by the economy after accounting the depreciation. It can be described as the net products that comes out in the national economy after the fulfillment of the taxes on those goods and services. In the final compounded product, when removing the raw goods and materials, the final goods produced are known as NNP. 



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### Question No. 1 (D)

#### Circular Flow of National Income:

The National Income of the economy is computed after adding up the factors of production (land, labour, capital), the interest, the profits, and income. All these factors that constitute the National Income of the economy are the same factors that constitute the circular flow of the National Income.

The circular flow of the income includes two different sectors of the economy, considering that firstly we are talking about the two sector income flow.

The two sector circular flow of National Income:-

When talking about two sector income flow, we talk about the households and the firms. The households and firms are considered as two major sectors of the economy. While discussing income flow in this sector, the household acts as a provider of the



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factors of production like labours, lands. These labours then work in the firms producing the goods and services. The labours then in return of their service to the firm are paid wages. These wages acts as the source of income for the labours i.e. the households. It is then that the households used their income for consumption. ✓ fulfill their consumption needs, the labours i.e. the households then use their income to buy the goods and services produced by the firm, constituting to the expenditure. Therefore from production to consumption to then expenditure, maintains the smooth circular flow of the National Income.

Production → Consumption → Expenditure.

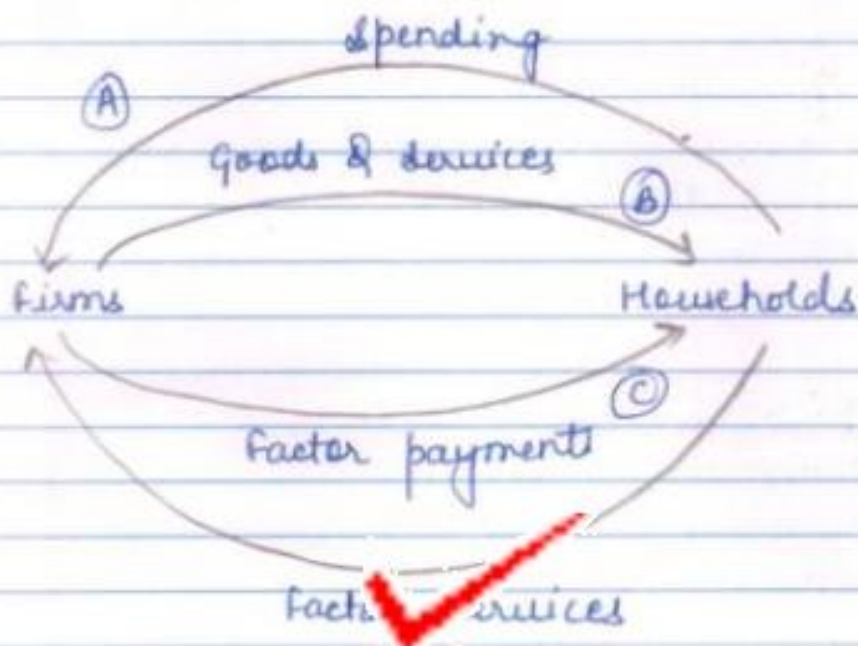
In this circular flow of income the production leads to the income generation for the labours i.e. the households. ✓



The income then leads to consumption, when the households use this income to fulfill their needs i.e. by consuming goods and services.

For the consumption of these goods and services, the households then move on to the next step of expenditure.

The money that households invest in expenditure while buying goods and services further acts as a source of ~~new~~ income for the firms that have produced the goods and services.



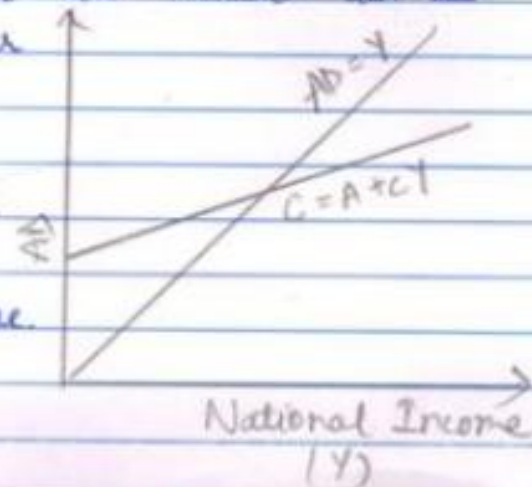


## Question 1 (E)

### Consumption Function:-

In macro economics, while talking about the factors that constitute the national income flow, consumption function is one of it. Consumption function refers to the rate of goods and services that are consumed by the households or individuals. No individual would consume the commodities without any limitations. There are always factors that influence or limit the consumption of the commodities by the consumer.

When discussing about consumption function it refers to the rate by which the consumer would consume the goods and services depending on their income. The consumer would only spend as much as it can earn i.e. as per their income constituting its consumption function. This is the rate of consumption fun<sup>n</sup> in the flow of national income.

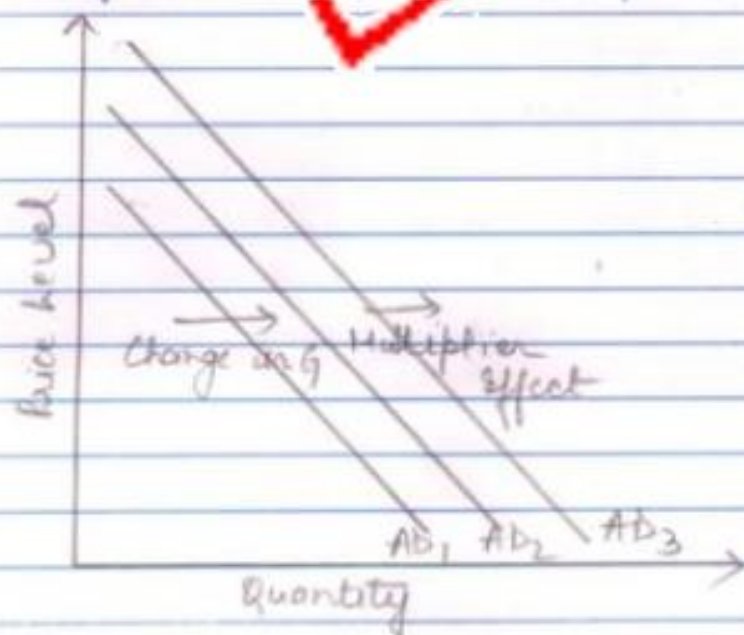




## Question No. 1. (A)

### Concept of Multiplier.

The multiplier in any economy acts as a stimulator to the economy. When the multiplier is added to any economic formulation, it adds on to it acting as an accelerator to the economy. There are various uses of different types of multiplier in the economy. But broadly discussing a multiplier is often used in any economic function to boost the economic growth of the country. By using the multiplier, it acts as a stimulant in the growth process and accelerates the growth of the economy.





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### Question 1 (Q)

#### Keyne's psychological law of consumption:

The Keynes' psychological law of consumption in macro economics talks about the law of consumption i.e. how a consumer consumes based on its income. Talking into depth about it, it states that a consumer can only spend a part of what it earns. i.e. instead of spending the whole of its income, the consumer spends a part of it fulfilling their need (basic) and the rest of it, that is the remaining of it are saved.

To understand it better with a example, if an individual earns ₹ 50,000 per month, it would spend ₹ 40,000 to fulfill its needs and would save ₹ 10,000 as a saving instead of spending it all.

In case of increased income, the consumer would not spend all the add on income instead it would spend a part of that increased income and spend the rest of it. For example, the consumer would spend ₹ 6,000 of the total increment of ₹ 10,000 and would save the rest i.e. ₹ 4,000.



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### Question 1. (H)

#### Average Propensity to consume:

When discussing about the average propensity to consume, it states total part of consumption that a consumer consumes based on their total income.

$$APC = \frac{\text{Total consumption}}{\text{Total Income}}$$

For example, a consumer earns total income of ₹10,000. And the total consumption is of ₹8,000 out of the total income. In such scenario, the average propensity to consume would be;

$$APC = \frac{8000}{10000} = 0.8$$

#### Marginal Propensity to consume:

When talking about marginal propensity in the macroeconomics, it refers to the ratio or fraction of the increased consumption of the income with respect to the total increment in the income. i.e. what part of the increased income, the consumer has used for the consumption purpose, to the total income that has increased, let's say by 1 unit. The mathematical formula



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to calculate the Marginal Propensity of consumption is as follows-

$$MPC = \frac{\text{Increased Consumption}}{\text{Increased Income}}$$

To understand it with the help of example, let's say the income of the individual is increased by ₹ 10,000. Following Keynes' psychological law, the consumer decides to spend ₹ 6,000 of the total increased income and save ₹ 4,000. In this case, the Marginal Propensity of consumption would be,

$$MPC = \frac{6000}{10000} = 0.6$$

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## Question 1 (✓)

### Relative Income Hypothesis:

Relative Income Hypothesis in Economics, states the how an individual earns and what part of it, it decides to spend, i.e. the individual's consumption decision is not solely based on its own income but also its peers relative income. If an individual sees that there is an increased income in case of their peers, it affects their consumption decision. For example if a person earns lets say ₹10,000. And its peers, or the people around earn ₹15,000. The individually the its consumption decision would be lets say ₹6000 but because of the relative income hypothesis, the comparison would lead to an increased spending which would further lead to an increased consumption function.



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## Section B

### Question No. 5

#### Autonomous Investment:

Autonomous investment in macroeconomics refers to the type of investment that is independent of any factor, i.e. no other crucial factors affect the level of investment in case of autonomous spending. The autonomous spending is independent of any other factors. The factors like interest rates, rate of return does not constitute to the deciding factor of whether the investment would be made or halted. Irrespective of the interest rates, and even with least response from the economic growth, it can be expected that the autonomous investment runs smoothly. The ups and downs in these factors do not decide the flow of the investment. Such kind of investment is known as autonomous investment.

Autonomous investment is very crucial for the economic stabilization. If not for



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autonomous investment, the down in the economy would hit a greater dip resulting in a huge economical imbalance. Especially at the time of recession, ~~the~~ when the economy of the country is already facing hardships, it is the autonomous investment that sails the boat of the ~~country~~ to certain extend while stabilizing the economy.

Thus, autonomous investment proves to be of crucial importance to the country's economic stabilization and growth.

### Induced Investment:-

When talking about induced investment in an economy, it is different from what the fundamentals are of autonomous investment. Unlike autonomous investment it does not go with the flow on its own. There are always external factors that would drive the flow of induced investment in the economy. i.e. induced investment is affected by the external driving factors to the utmost extent. The factors such as the rate of return, ~~the~~ profit margin, the



profit maximization, the return on capital, the technological advancements. Talking about all the factors that play a role in the flow of induced investment. Induced investment is the investment which is made while convincing the investors that the investment would be of great return to the investor. Induced investment takes convincing on the investing part.

The factors that determine induced investing are as follows -

1.) Rate of return:

The investor would only be convinced to be a part of induced investment when he/she can see that the rate of return would be of optimal value. That is there rate of return is always greater than what they have invested so that the investor does not incur loss.

2.) The profit margin:

The investor will always keep in mind the profit margin at the time of investing



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especially in case of induced investing since because if the profit margin is less then the investor would incur loss as the profit margin should be greater for the investor to invest.

### 3) Return on the capital :-


The return on the capital in case of investing should be greater, because if the return on the capital would not be sufficient then, the  $\uparrow$  cost of production i.e. Land, labour  and including the firm.

### 4) Technological advancements :-

The technological advancements plays a crucial role in convincing the investors for induced investment as with help of updated technology, the work would be more profound for the firm & individual as well.

### 5) Interest Rate -

It plays a huge deciding factor as higher interest rates would lower the investment & vice-versa.





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Section CQuestion No. 9.Keynesian theory of Absolute Income Hypothesis

The Keynesian theory of absolute income hypothesis states that the relationship between income and consumption in an economy. It was proposed by the economist John Maynard Keynes, in his seminal work *The General Theory of Employment, Interest and Money*. It is a foundational concept in understanding the relationship between income & consumption. It asserts the consumption is primarily determined by current income and changes proportionately as income changes, though not at the same rate.

Keynes argued that current disposable income is the main driver of consumption. He introduced the concept of consumption function in the economy. It is expressed as:

$$C = a + bY$$

C = Consumption

a = Autonomous Consumption

b = Marginal propensity to consume

Y = Disposable income



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Keynes' stated these key assumptions -

1.) Autonomous consumption:

Exists even when income is zero. This reflects that people meet basic needs by borrowing or using savings.

2.) Marginal Propensity to consume:

The MPC is always less than 1, stating consumption increases with income but at a slower rate.

The key assumptions is ✓ as follows -

(1) Short term focus:-

Keynes assumed that people base consumption decisions on current income and ignored future expectations.

(2) Linear relationship:-

He positioned a simple, direct relationship b/w income and consumption for ease of analysis.

(3) Savings behaviour:-



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As income increases, the share of income allocated to savings also rises, reducing the MPC.

### Implications -

Keynes emphasized the importance of consumption as a driver of economic growth. Increased consumption boosts demand which leads to higher production, income & employment. This is the basis of the multiplier effect. During recessions, Keynes recommended govt. interventions such as fiscal stimulus, to increase income & consumption.

### Criticisms -

The hypothesis was later challenged by theories like the Permanent Income Hypothesis & Life Cycle Hypothesis. These argue that consumption depends on expected lifetime income, not just current income. Additionally, the linear consumption function over simplifies real world behaviour where psychological, cultural & wealth factors also influence consumption.