INSTRUCTIONS TO THE CANDIDATES
- ALL the questions are compulsory and MUST be answered
- Use only PEN for writing answers. Writing with Pencil is not allowed except for diagrams

<table>
<thead>
<tr>
<th>Level</th>
<th>Diploma</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date and Day</td>
<td>15th December 2015, Tuesday</td>
<td></td>
</tr>
<tr>
<td>Time</td>
<td>12:00NN - 2:00 PM</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of questions</th>
<th>Allotted Marks</th>
<th>Marks Secured</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. True or false questions.</td>
<td>06 x 01 Mark = 06</td>
<td></td>
</tr>
<tr>
<td>II. Multiple choice questions.</td>
<td>08 x 01 Mark = 08</td>
<td></td>
</tr>
<tr>
<td>III. Identification questions.</td>
<td>06 x 01 Mark = 06</td>
<td></td>
</tr>
<tr>
<td>IV. Short answers questions.</td>
<td>04 x 04 Marks = 16</td>
<td></td>
</tr>
<tr>
<td>V. Essay Questions</td>
<td>02 x 07 Marks = 14</td>
<td></td>
</tr>
<tr>
<td>Total Marks</td>
<td>50</td>
<td></td>
</tr>
</tbody>
</table>

TOTAL MARKS SECURED IN WORDS ____________________________________________

Marked by: _____________________________________________
Signature: ___________________________________________
Date : ___________________________________________

Verified by: _________________________________________
Signature : _______________________________________
Date : ___________________________________________
I. True or false questions.  (Suggested time: 10 minutes)  (06 X 01 Mark = 06 Marks)

Tick mark [✓] the word “True” if the statement is correct, and the word “False” if the statement is wrong.

1. Aggregate supply equals aggregate demand at equilibrium level of national income.  
2. Political instability leads to risky business transactions.  
3. Inflation causes income inequalities in the nation.  
4. Demand for money and economic growth are negatively related.  
5. Personal income is also called after tax income.  
6. A fall in interest rate decreases investment in business sector.  

II. Multiple choice questions.  (Suggested time: 15 minutes)  (08 X 01 Mark = 08 Marks)

Choose the most appropriate answer by putting a tick [✓] mark to the letter box at the right side.

1. The branch of economics that studies the whole economy at once is known as
   a. Microeconomics.  
   b. Macroeconomics.  
   c. Fiscal policy.  
   d. Public economics.  

2. During cyclical unemployment;
   a. There is a fall in aggregate demand.  
   b. There is a rise in aggregate demand.  
   c. There is a rise in aggregate supply.  
   d. There is a fall in aggregate supply.
3. Which one of the following is a negative aspect of economic growth?
   a. Employment.
   b. Destruction of rain forests.
   c. Investment.
   d. Health facilities.

4. When there is inflation in the economy the government will;
   a. Increase the tax.
   b. Reduce the tax.
   c. Increase the money supply.
   d. Reduce the interest rate.

5. The type of economic system that operates with socio economic objectives is
   a. Capitalist economy.
   b. Market economy.
   c. Planned economy.
   d. Free economy.

6. Inflation rate means:
   a. Rising trend in general price level.
   b. Percentage change in price level yearly.
   c. Average price of consumer goods
   d. Consumer price index.

7. If the expenditure of the government is more than its revenue then it is called
   a. Budget.
   b. Fiscal deficit.
   c. Fiscal policy.
d. Fiscal surplus.

8. Which one of the following is responsible for demand pull inflation?
   a. High investment.
   b. Increase in tax.
   c. High price of imports.
   d. Natural disaster

III. Identification questions. (Suggested time: 10 minutes.) (06 X 01 Mark = 06 Marks)

1. The system in which goods are exchanged for goods, is called____________________

2. Pricing power inflation is also called as ______________________________

3. The exchange rate system determined by the market is called____________________

4. The policy used by the central bank to control the money supply in the economy____________

5. Number of people seeking employment plus people who are employed is equal to ________________
6. The cost of next best alternative forgone is called _________________________

IV. Short answers questions. (Suggested time: 35 minutes) (4 x 4 Marks = 16 Marks)

1. Write a short note on the following terms. (Two points each.) (2 + 2 = 4 Marks)

A) Define money.

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B) Classical unemployment.

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2. Differentiate between legal reserve requirement and discount rate policy. (2 + 2 = 4 Marks)

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3. Explain any four benefits of national income. 

4. Explain any two reasons behind the slope of the aggregate demand curve
V. Essay Questions.  (Suggested time: 30 minutes)  

(2 x 7 Marks = 14 Marks)

1. What do you mean by socioeconomics? Explain any five socio economic characteristics.  

(2 + 5 = 7 marks)
2. ‘Fluctuation in the exchange rate is dependent on many factors’. Do you agree or disagree. Explain in either case.

\((1 + 6 = 7\text{ marks})\)
WISH YOU ALL THE BEST