(c) Qualitative instruments of monetary control

(d) Distinguish Expenditure and Value added method of calculating national income

(e) Speculative demand for money (5×3=15)

7/12/17

[This question paper contains 4 printed pages.]

(Morning)

Your Roll No..............

Sr. No. of Question Paper : **8374**

Unique Paper Code : 61011304

Name of the Paper : Macroeconomics

Name of the Course : **Bachelor of Management Studies (BMS), 2017 (CBCS)**

Semester : III

Duration : 3 Hours

Maximum Marks : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt **all** questions.
3. **All** questions carry equal marks.

1. (a) What is the effect on BP curve of country X of the following :

   (i) Government of country X imposes restrictions on FDI (Foreign Direct Investment)

   (ii) There is a sharp depreciation of the currency of country Y.

P.T.O.

(b) What is the shape of the IS curve when investments are highly responsive to interest rates ?

(c) If there is a rise in government spending by 10 units accompanied with a simultaneous rise in direct taxes by 10 units, what will be the impact on output ? Why ?

(d) If income increases by 1000 crores when government spending increases by 40 crores what is the marginal propensity to save (MPS) ?

(e) Explain the natural rate of unemployment. (5×3=15)

2. (a) Explain how interest rate is determined and how it plays a stabilizing role in the classical economy. (8)

(b) In a classical economy, level of demand for investment goods by the business sector has no role in determining output and employment. Explain with the help of a diagram. (7)

3. (a) Derive IS curve. Discuss the positions off the IS curve. What are the factors that affect its position and slope. (8)

(b) Expansionary fiscal policy has a larger impact when the elasticity of money demand is high. Explain with the help of IS-LM model. (7)

4. (a) Suppose :

$C = 100 + 0.6Yd$

$I = 220 - 10i$

$T = 200$

$G = 200$

$L = 0.2Y - 5i$

$M = 100$

(i) Find the equilibrium of the economy.

(ii) Find the equilibrium of the economy if T changes from 200 to 300 and G changes from 200 to 300. (8)

(b) Under perfect capital mobility monetary policy is more powerful instrument of growth in a flexible exchange rate system than in fixed exchange rate system. Discuss with diagrams. (7)

5. Write short notes on any **three** of the following :

(a) Money multiplier

(b) Social costs of Inflation