S.No. of Q.Paper : 8628

Unique Paper Code: 61011304

Name of Paper: Macroeconomics

Name of Course: Bachelor Of Management Studies CBCS-LOCF

Semester: III

Duration: 3hrs

Maximum Marks : 75

Instructions for Candidates

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

Q1. Answer any **three** of the following (5x3)

a) "All other things remaining constant, the aggregate demand curve shifts rightwards when nominal money supply increases" True or false. Explain.

b) "A liquidity trap occurs when the interest rates in an economy are very high'. True or False. Explain

c) "A balanced budget multiplier is always equal to 1". True or false. Explain

d) In an economy consumption C=1000 + 0.6 Y, Investment I= Rs.500 and government expenditure= Rs.400. By how much would the output change if the government expenditure decrease by 100.

e) What is the effect of a decrease in the output of the trading partner on the IS curve of an open economy. Explain with diagram.

Q2. (a) Analyse the short-run impact of an increase in government spending on output and the exchange rate in an open economy with perfect capital mobility under (a) a fixed exchange rate regime and (b) a floating exchange rate regime. (5+5)

(b) Does the result change depending on the degree of mobility of capital? (5)

Q3. 5. Write short notes on any **three** of the following:

a) IS curve

b) Monetary policy under fixed exchange rate

c) Classical aggregate supply curve

e) Any three measures to control inflation

(5 X3)

Q4. (a) Does there exist a trade off between unemployment and inflation? Explain using diagrams. (6)

(b) Consumption = 200 + .8Y_d

Investment = 300−50i

Government expenditure = 400

Taxes = 50 + 0.2Y

M_d = 0.5Y−100i

M_s = 800

(i). Calculate the equilibrium level of output and interest rate in the economy. (6)

(i). How will the equilibrium level of output and interest rate in the economy will change if government expenditure increases to 550.(3)

Q5. (a) "Fiscal policy is ineffective if the economy is at full employment". Comment and explain using diagrams. (7)

(b) What is the effect of an increase in autonomous investment on equilibrium output and prices, in an economy that is operating below full employment level of output? Explain with diagrams. (8)