

B.A. III SEMESTER SUPPLEMENTARY EXAMINATION, MAY/JUNE 2019

ECONOMICS

Macroeconomics-I

Duration: 02 Hours

Marks: 80

Instructions: 1. All questions are compulsory.

2. The sub-questions in Q I and Q II are to be answered in 100 words each.
3. Questions carrying 12 Marks are to be answered in 400 words each.
4. Draw diagrams wherever necessary.
5. The use of a simple calculator is permitted.

Q I) Answer *any four* of the following:

4x4=16

- (i) Explain any two limitations of the GDP concept.
- (ii) Explain the concepts of disposable income and per capita income.
- (iii) Distinguish between actual GDP and potential GDP.
- (iv) From the following data, calculate national income by using the income method.

| Sr. No. | Items | Rupees in crores |
|---------|-------------------------------|------------------|
| 1. | Compensation of employees | 900 |
| 2. | Net factor income from abroad | -20 |
| 3. | Interest | 200 |
| 4. | Rent | 150 |
| 5. | Mixed income of self employed | 900 |
| 6. | Profits | 800 |
| 7. | Consumption of fixed capital | 100 |

- (v) What is autonomous investment?
- (vi) Explain the relationship between consumption and income.

Q II) Answer *any four* of the following:

4x4=16

- (i) Explain the nature of government spending in the Keynesian model.
- (ii) What are the components of the current account of the balance of payments?
- (iii) What are net exports?
- (iv) What is bank rate policy?
- (v) What are the primary functions of money?
- (vi) What are the measures of money supply in India?

Q III A) Explain the value added approach of measuring GDP.

12

OR

B) Explain the major macro-economic issues addressed by economists. **12**

Q IVA) What is the multiplier? Explain the working of the multiplier in a two-sector economy. **12**

OR

B) The following data on Country Z is given:

(1) Consumption function: $C = 300 + 0.75 Y$

(2) Investment function: $I = 100$

(3) $AE = C + I$

(4) $AE = Y$

(i) Calculate the equilibrium level of income for Country Z.

(ii) What is the MPC in country Z and what is the MPS?

(iii) Graph equations (3) and (4).

(iv) What is the value of the multiplier?

(v) Suppose investment increases to $I^1 = 120$. What is the new equilibrium level of income? By how much does the ₹ 20 increase in planned investment change the equilibrium income? **12**

Q VA) Explain the determination of equilibrium output in a three-sector economy with the help of the Keynesian cross? **12**

OR

B) . Explain the impact of fiscal policy on the aggregate demand function and equilibrium GDP. **12**

QVI A) Examine the liquidity preference theory of interest rate determination. **12**

OR

B) Explain the process of credit creation by banks. **12**