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Your Roll No.....

Sr. No. of Question Paper : 6449

Unique Paper Code : 61011304

Name of the Paper : Macroeconomics

Name of the Course : **Bachelor of Management
Studies (BMS), 2022
(LOCF)**

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. Answer **all** questions
3. **All** questions carry equal marks.

1. Answer **any three** of the following

(a) What is effect of following on a country's BP curve:

P.T.O.



- (i) Imposition of import restrictions
- (ii) Increase in marginal propensity to import
- (b) The aggregate demand curve becomes flatter, the more sensitive investment spending is to the rate of interest. True or false. Explain.
- (c) "The effect of an increase in government spending on national income is more in a closed economy than an open economy." True or False. Explain.
- (d) "Very high level of interest rates in the economy lead to liquidity trap." True or False. Explain.
- (e) An increase in defence spending by the government of Rs. 100 crores will have the same impact on equilibrium output as does a tax cut of Rs. 100 crores. True or False. Explain. (5×3)
2. (a) An economy is operating at full employment. The government decides to spend more on education and health as compared to the previous year. How

will this decision of the government affect output, employment and prices in this economy. (8)

(b) Consumption: $C = 200 + .80Y_d$

Export: $X = 340$

Import: $Z = 200 + .1Y$

Government expenditure: $G = 400$

Investment: $I = 320$

Transfer payment = 160

Autonomous Taxes = 150

Calculate the equilibrium level of income? How does the level of income change if government expenditure changes to Rs. 450? Calculate the foreign trade multiplier. (3,2,2)

$$3. \quad C = 200 + 0.8Y_d$$

$$G = 300$$

$$I = 250 - 12i$$

$$\text{Transfer payment} = 60$$

$$\text{Taxes} = 50 + 0.25Y$$

$$M_d = 0.20Y - 15i$$

$$M_s = 295$$

- (i) Calculate the equilibrium level of output and interest rate in the economy.
- (ii) How will the equilibrium level of output and interest rate in the economy change if money supply is decreased by Rs. 21.
- (iii) If government expenditure is increased by Rs. 42 then what will be the impact on budget surplus?

(2,2,4)

OR

- (a) An increase in repo rate will have a greater impact on the economy the greater is the interest sensitivity of investment. Explain with the help of diagrams. (8)
- (b) What is the effect of a decrease in lumpsum taxes on equilibrium output and prices, in an economy that is operating below full employment level of output? Explain with diagrams. (7)
4. (a) In an open economy with imperfect capital mobility, the impact of monetary policy on macroeconomic objective depends on the exchange rate system prevailing in the country. Explain with the help of diagrams. (8)
- (b) What is the Phillips curve and why is it important to economic policy makers? Why is it downward sloping in the short run? (7)

P.T.O.

5. Write short notes on any three of the following

(a) Balanced Budget Multiplier

(b) Advantages of flexible exchange rates

(c) Properties of IS curve

(d) Any three effects of Inflation on the economy

(e) H Theory of money supply (5×3)