



Name:

Enrolment No:

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, May 2022

Course: BA (Hons.) Economics

Program: Macroeconomics-II

Course Code: ECON 1008

Semester: II

Time: 03 hrs.

Max. Marks: 100

Instructions: Attempt all the questions.

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1	A change in autonomous spending is represented by- (a) A movement along a (C+I+G) spending line. (b) A shift of a (C+I+G) spending line. (c) A change in a coefficient of consumption functions. (d) None of the above.	2	CO1
Q 2	When investment is negatively related to the rate of interest, equilibrium output in the goods market- (a) Is unrelated to the rate of interest. (b) Is inversely related to the rate of interest. (c) Is positively related to the rate of interest. (d) Falls as the rate of interest decreases.	2	CO1
Q 3	Simultaneous equilibrium in the money (LM) and goods (IS) market exists- (a) At an unlimited number of output levels and rates of interest. (b) At only one output level and rate of interest. (c) At an unlimited number of output levels and only one rate of interest. (d) At only one output level and an unlimited number of rates of interest.	2	CO1
Q 4	A change in money supply has a greater effect upon output if- (a) The private sector spending is more interest-sensitive. (b) The private sector spending is less interest-sensitive. (c) The expenditure multiplier is smaller. (d) None of the above.	2	CO1
Q 5	In which of the following situations will an increase in the money supply have no effect upon output- (a) LM is steeply sloped and IS is relatively flat. (b) LM is vertical sloped and IS is steeply flat. (c) LM is steeply sloped and IS is vertical. (d) LM is relatively flat as is IS.	2	CO1

Q 6	We cannot look at the direction of discretionary fiscal policy by looking at the changes in the actual fiscal budget. What is the reason?-(a) Those changes may reflect changes in the tax revenues because of the change in potential GDP. (b) Those changes may reflect the changes in consumption habits. (c) Those changes may reflect changes in the tax revenues because of the change in GDP. (d) Those changes may reflect the changes in investment confidence.	2	CO1
Q 7	Suppose the mpc is 0.75 out of disposable income (YD) and the government imposes a net tax rate of 0.2. What is the mpc out of national income (Y)?-(a) 0.16. (b) 0.5. (c) 0.6. (d) 0.64.	2	CO1
Q 8	An increase in the rate of labour supply growth-(a) Has no effect upon the steady state capital-labour ratio. (b) Increase the steady state capital-labour ratio. (c) Decrease the steady state capital-labour ratio. (d) Increase output per worker at the steady state.	2	CO1
Q 9	Economic development refers to -(a) Economic growth. (b) Economic growth plus changes in output distribution and economic structure. (c) Improvement in the well-being of the urban population. (d) Sustainable increases in gross national product.	2	CO1
Q 10	The Harrod-Domar growth model suggests that growth is-(a) Directly related to savings and inversely related to the capital/output ratio. (b) Directly related to the capital/output ratio and inversely related to savings. (c) Indirectly related to savings and the capital/output ratio. (d) Directly related to savings and the capital/output ratio.	2	CO1
SECTION B 4Qx5M= 20 Marks			
Q 11	For an economy the following functions are given: $C = 100 + 0.8Y$, $S = -100 + 0.2Y$, $I = 120 - 5i$, $M^s = 120$, $M^d = 0.2y - 5i$. Find out; (a) IS equation, and (b) LM equation.	5	CO2

Q 12	Natural resources, human resources, capital accumulation and technology are four critical factors in economic growth of a country. Explain how these factors contribute to economic growth.	5	CO4
Q 13	Why is the demand for money stated in real terms rather than in nominal terms?	5	CO2
Q 14	What makes the IS curve and the LM curve steeper and why?	5	CO2
SECTION-C 3Qx10M=30 Marks			
Q 15	Suppose the AS curve of the economy is Keynesian. How does monetary and fiscal policy affect the level of investment in the economy?	10	CO4
Q 16	For an economy the following functions are given: $C = 100 + b(Y - 50 - tY)$, $I = 50$, $G = 50$, $X = 10$, $M = 5 - 0.1Y$ Find out; (a) Find the equilibrium national income, and (b) foreign trade multiplier.	10	CO2
Q 17	As an economy increasingly integrates with the world economy during this era of globalization, should it maintain fixed or floating exchange rates? Why?	10	CO4
SECTION-D 2Qx15M= 30 Marks			
Q 18	Using IS-LM model, show that fiscal policy is more effective at low rate of interest and low level of income, while monetary policy is more effective when the levels of income and rate of interest are high.	15	CO4
Q 19	What are the assumptions of Harrod-Domar model of economic growth? How does this model distinguish between warranted, actual and natural rates of growth?	15	CO3