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PRESIDENCY UNIVERSITY BENGALURU

**SET-A**

SCHOOL OF LAW

**END TERM EXAMINATION – MAY/JUNE 2024**

**Semester :** Semester II - 2023

**Course Code :** BBA1006

**Course Name :** Macro Economics

**Program :** BA LLB Honors

**Date :** June 21, 2024

**Time :** 9:30 AM - 12:30 PM

**Max Marks :** 100

**Weightage :** 50%

**Instructions:**

1. *Read all questions carefully and answer accordingly.*
2. *Question paper consists of 3 parts.*
3. *Scientific and non-programmable calculator are permitted.*
4. *Do not write any information on the question paper other than Roll Number.*

**PART A**

**ANSWER ANY FOUR QUESTIONS 4Q X 5M = 20 MARKS**

* 1. State equations for consumption and saving functions. Briefly explain Average Propensity to Consume (APC) and Marginal Propensity to Consume (MPC).
  2. Briefly explain a few elements of the Keynesian Theory of Income and Employment

(CO3) [Knowledge]

(CO3) [Knowledge]

* 1. Assume an economy is witnessing a recession and the MPC for this economy is 0.75. The government increases spending by $25 billion. a). State MPC b). Interpret the MPC = 0.75. and c). By how much will equilibrium national income (GDP) increase.

(CO3) [Knowledge]

* 1. Describe the effects of inflation on creditors, debitors; bond and debenture holders; salaried people and wage-earners.

(CO4) [Knowledge]

* 1. Compare headline and core inflation. Describe the increase in money supply and wage rate as the primary causes of inflation.

(CO4) [Knowledge]

* 1. Assume the C = 150 + 0.6YT, I = 230 and YT = 0.6Y, where C = consumption expenditure, I is Investment and YT is disposable income i.e., Income minus taxes (Y – T). Identify equilibrium level of national income.

(CO4) [Knowledge]

**PART B**

**ANSWER ANY FOUR QUESTIONS 4Q X 10M = 40 MARKS**

* 1. Determine the equilibrium level of income and employment using the Keynesian two-sector model of an economy, aggregate expenditure and national output.

(CO3) [Application]

* 1. Explain the concept of business cycles in macroeconomics. Describe the ***phases*** and ***types*** of business cycles.

(CO5) [Application]

* 1. Compare the induced and autonomous investment. Explain Marginal Efficiency of Investment (MEI) and rate of interest as the primary variables affecting the investment in the economy

(CO4) [Application]

* 1. Describe fall in aggregate demand and increase in aggregate supply as the primary causes of deflation.

(CO4) [Application]

* 1. State the investment multiplier and derive the multiplier algebraically.

(CO4) [Application]

* 1. State the idea of the consumption function and the Psychological Law of Consumption.

(CO3) [Application]

**PART C**

**ANSWER ANY TWO QUESTIONS 2Q X 20M = 40 MARKS**

* 1. Explain the inflationary gap graphically. State its causes and treatment

(CO3) [Analysis]

* 1. Derive consumption and saving functions. Determine the equilibrium level of income and employment using the Keynesian two-sector model of an economy.

(CO4) [Analysis]

* 1. State IS-LM model as an extension of Keynesian standard macroeconomic model and an interaction of goods and money market equilibrium. Explain IS curve as a goods-market equilibrium and LM curve as a Money Market equilibrium graphically.

(CO5) [Analysis]