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School of Liberal Education

Bachelor of Arts Honours in Economics

Mid Term Examination - May 2024

Duration : 90 Minutes

Max Marks : 50

Sem II - K1UB203T - Advance Macro EconomicsGeneral Instructions*Answer to the specific question asked**Draw neat, labelled diagrams wherever necessary**Approved data hand books are allowed subject to verification by the Invigilator*

- 1) Interpret the speculative motive for holding money. K2 (2)
- 2) Define the components of narrow and broad money. K1 (3)
- 3) Summarize the cambridge cash-balance theory of demand for money. K2 (4)
- 4) Explain the four measures of money supply. K2 (6)
- 5) Sketch the effectiveness of fiscal policy in achieving economic objectives. K3 (6)
- 6) Report if the autonomous investment increases, interest rate remaining constant, how will it cause a shift in the IS curve. K3 (9)
- 7) Explain the concept and condition of the general equilibrium using IS-LM curves. K4 (8)
- 8) Examine how does inclusion of the government sector in two-sector model affect the IS-LM model of equilibrium analysis? K4 (12)

OR

Experiment if the product and money markets are in equilibrium at some interest rate and level of income, and interest rate shoots up for external reasons. Explain and illustrate the process of adjustment of the product and money markets to return to the original equilibrium. K4 (12)