

School of Liberal Education**Bachelor of Arts Honours in Economics
Semester End Examination - Jun 2024****Duration : 180 Minutes
Max Marks : 100****Sem II - K1UB203T - Advance Macro Economics***General 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) Define the concept of the real business cycle theory. K1(2)
- 2) Compare and contrast the concepts of the money multiplier and high powered money, highlighting their respective impacts on the economy. K2(4)
- 3) Demonstrate kaldor's saving and investment functions with the help of diagram. K2(6)
- 4) Point out how the fiscal policy multiplier works in an economy. K3(9)
- 5) Determine what is LM curve. Derive it graphically and explain the relationship between interest rate and income. K3(9)
- 6) Explain what is balanced budget multiplier. K5(10)
- 7) Examine the meaning of balance of payment disequilibrium? How can you know whether balance of payments of a country is in equilibrium or disequilibrium? K4(12)
- 8) Perceive $C = 100 + 0.4 Y$ is the Consumption Function of an economy, where C is Consumption Expenditure and Y is National Income. Investment expenditure is Rs.100. Calculate: (i) Equilibrium level of National Income; (ii) Consumption expenditure at equilibrium level of national income. K5(15)
- 9) Mark the impact of a current account deficit on a country's currency value, considering the concepts of depreciation and appreciation? K5(15)
- 10) Suppose the following information is given for a two-sector economy
 $C = 100 + 0.8Y$
 $I = 120 - 5i$
 $M_s = 120$
 $M_d = 0.2Y - 5i$ (Where i is the percentage interest)
Find
a) IS equation b) LM equation c) interest and income at general equilibrium. K6(18)