UPES

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End-Term Examination, May 2019

Program/course: BA Hons. (Energy Economics)	**Semester : II**
Subject: Macroeconomics II	**Max. Marks : 100**
Code : ECON1008	**Duration : 3 Hrs**
No. of page/s: 4	

Section-A
All the questions are compulsory in this section.   [10*2=20]

Q.No.	Questions	CO
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.	CO1,CO2
2.	Real GDP increases- (a) When there is an increase in the price level. (b) When there is an increase in the output of goods and services. (c) When there is an increase in the population. (d) At a constant rate over time.	CO1
3.	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.	CO1
4.	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.	CO1
5.	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 lesss interest-sensitive. (c) The expenditure multiplier is smaller. (d) None of the above.	CO1
6.	In which of the following situations will an increase in the money supply	CO1

	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.	
7.	An increase in the rate of labour supply growth-	CO1
	(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.	
8.	A neutral technical change-	CO1
	(a) Shift the depreciation line leftward.	
	(b) Increase the effective labour supply.	
	(c) Has no effect upon the capital-labour ratio.	
	(d) Shifts the saving and output curve upward.	
9.	Which of the following statement is incorrect?	CO1
	(a) There is a precautionary demand for money because of uncertainty about the receipt of future income.	
	(b) The precautionary demand for money is unrelated to income.	
	(c) The precautionary demand for money is affected by the opportunity cost of holding M1 balances.	
	(d) There is a precautionary demand for money because of unexpected expenditure.	
10.	Frictional unemployment exists-	CO1
	(a) When there is a decrease in real GDP.	
	(b) Because it takes time to find a job when one is first entering the labour force.	
	(c) As a result of technological change.	
	(d) When an individual retires.	

Section-B   **[5*10=50]**
Attempt any five questions.

Q.No.	Questions	CO
11.	Define IS curve. What are the factors that determine the slope of IS curve?	CO1,CO2
12.	For an economy the following functions are given: $C = 100 + 0.8Y$, $S = -100 + 0.2Y$, $I = 120 - 5i$, $M^s = 120$, $M^d = 0.2y - 5i$	CO1,CO2, CO3

	Find out; (a) IS equation, (b) LM equation, and (c) equilibrium level of income and interest rate.	
13.	What is Phillips curve? What are its policy implications?	CO1,CO2, CO3
14.	What is natural rate of unemployment? How do the unemployment benefits affect it?	CO1,CO2, CO3
15.	What is accelerator? What roles does it play in explaining business cycles in the economy?	CO1,CO2, CO3
16.	Natural resources, human resouces, capital accumulation and technology are four critical factors in economic growth of a country. Explain how these factors contribute to economic growth.	CO1,CO2, CO3
17.	Explain neo-classical theory of economic growth. What are the drawbacks of this theory?	CO1,CO2

Section-C   **[2*15=30]**
Attempt the given question.

Q.No.	Questions	CO
18.	What are the assumptions of Harrod-Domar model of economic growth? How does this model distinguish between warrented, actual and natural rates of growth?	CO1,CO2, CO3,CO4
19.	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.	CO1,CO2, CO3,CO4

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Section-A

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Q.No.	Questions	CO
1.	Which of the following will not result in an increase in output- (a) An increases in autonomous spending. (b) A decrease in autonomous taxes. (c) An increase in autonomus transfers. (d) An increase in lump-sum taxes.	CO1,CO2
2.	Real GDP increases- (a) When there is an increase in the price level. (b) When there is an increase in the output of goods and services. (c) When there is an increase in the population. (d) At a constant rate over time.	CO1
3.	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.	CO1
4.	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.	CO1
5.	A change in money supply has a greater effect upon output if- (e) The private sector spending is more interest-sensitive. (f) The private sector spending is lesss interest-sensitive. (g) The expenditure multiplier is smaller. (h) None of the above.	CO1
6.	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.	CO1

	(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.	
7.	An increase in the rate of labour supply growth-	CO1
	(a) Has no effect upon the steady state capital-labour ratio.	
	(b) Increase the steady state capital-labour ratio.	
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8.	A neutral technical change-	CO1
	(e) Shift the depreciation line leftward.	
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	(h) Shifts the saving and output curve upward.	
9.	Which of the following statement is incorrect?	CO1
	(e) There is a precautionary demand for money because of uncertainty about the receipt of future income.	
	(f) The precautionary demand for money is unrelated to income.	
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10.	Frictional unemployment exists-	CO1
	(a) When there is a decrease in real GDP.	
	(b) Because it takes time to find a job when one is first entering the labour force.	
	(c) As a result of technological change.	
	(d) When an individual retires.	

Section-B   **[5*10=50]**
Attempt any five questions.

Q.No.	Questions	CO
11.	Define LM curve. What are the factors that determine the slope of LM curve?	CO1,CO2
12.	For an economy the following functions are given: $C = 100 + 0.8Y_d$, $I = 50 - 25i$, $G = T = 50$ $M^s/p = 200$, $M^d = Y - 25i$ Find out; (a) IS equation, (b) LM equation, and (c) equilibrium level of output and interest rate.	CO1,CO2, CO3

13.	What is Phillips curve? What kind of trade-off between unemployment rate and inflation rate does it apply?	CO1,CO2, CO3
14.	What do you mean by disguised unemployment? What are the cuses of disguised unemployment?	CO1,CO2, CO3
15.	What is accelerator? What roles does it play in explaining business cycles in the economy?	CO1,CO2, CO3
16.	Differentiate between economic growth and economic development. Explain the factors that determine the economic growth.	CO1,CO2, CO3
17.	Explain neo-classical theory of economic growth. What are the drawbacks of this theory?	CO1,CO2

Section-C   **[2*15=30]**
Attempt the given question.

Q.No.	Questions	CO
18.	Discuss the nature of unemployment in developing countries like India. How far can Keynesian theory of income and employment be used to remove unemployment in developing countries?	CO1,CO2, CO3,CO4
19.	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.	CO1,CO2, CO3,CO4