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UNIVERSITY OF PETROLEUM & ENERGY STUDIES

End-Term Examination, December 2021

Program/course: BA Hons. (Economics)
Subject: Macroeconomics II
Code : ECON 1008

Semester : III
Max. Marks : 100
Duration : 3 Hrs

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
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 less 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 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- (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.	CO1
8.	The natural rate hypothesis states that the- (a) Unemployment returns to its normal rate in the long run, irrespective of the rate of inflation. (b) Output equals its natural level in the long run irrespective to the rate of inflation. (c) Natural rate of unemployment equals deviations of the rate of unemployment from its cyclical unemployment. (d) Both (a) and (b) above.	CO1
9.	Which of the following statement is incorrect? (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.	CO1
10.	Frictional unemployment exists- (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.	CO1

Section-B

[4*5=20]

Attempt all the questions.

Q.No.	Questions	CO
11.	What is accelerator? What roles does it play in explaining business cycles in the economy?	CO2
12.	For an economy the following functions are given: $C = 100 + 0.8Y$, $S = -100 + 0.2Y$, $I = 120 - 5i$, $M^s = 120$, $M^d = 0.2y - 5i$ Find out; (a) IS equation, and (b) LM equation.	CO2
13.	Natural resources, human resouces, capital accumulation and technology	CO4

	are four critical factors in economic growth of a country. Explain how these factors contribute to economic growth.	
14.	Explain briefly the different phases of business cycle.	CO2

Section-C **[3*10=30]**
Attempt any three questions.

Q.No.	Questions	CO
15.	What is meant by trade-off between the rate of inflation and unemployment? Explain the Keynesian explanation of this trade-off.	CO3
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.	CO2
17.	Suppose the AS curve of the economy is Keynesian. How does monetary and fiscal policy affect the level of investment in the economy?	CO4
18.	Business cycles occur and recur but have no fixed periodicity. Give your comment.	CO2

Section-D **[2*15=30]**
Attempt any two question.

Q.No.	Questions	CO
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?	CO3
20.	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.	CO4
21.	What is meant by adaptive expectations? Explain how with the help of adaptive expectation theory Friedman proves that Phillips curve is vertical in long-run.	CO3