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| **ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27** |
| **B.A. ECONOMICS – II SEMESTER** |
| **SEMESTER EXAMINATION: APRIL 2021** |
| **ECA 215: Macro Economics** |
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| **Time- 2 1/2 hrs** |  |  **Max Marks-70** |   |
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| **This paper contains 1 printed pages and 3 parts.**  |

**PART-A**

**Attach the question paper with the answer booklet**

**Date: 22-4-21**

**I Answer any 10 of the following: 3X10=30**

1. Define macro economics.
2. Distinguish between stock and flow concepts. Give suitable examples.
3. Distinguish between GDP and GNP.
4. What is effective demand?
5. State the Psychological law of consumption.
6. If an expenditure of Rs 4 crores on consumption goods industries leads to an investment of Rs 12 crores in the capital goods industries, calculate the value of the accelerator.
7. According to Keynes what are the 3 motives for the demand for money?
8. State Fisher’s quantity theory of money.
9. What is bank rate policy?
10. What is demand pull inflation?
11. Define consumer price index.
12. Mention the phases in a business cycle.

**PART-B**

**II Answer any 2 of the following: 5X2=10**

1. Briefly explain the circular flow of income in a two sector economy with savings and investment.
2. Write a short note on Pigou’s wage cut policy.
3. Explain the functions of a commercial bank.

**PART-C**

**III Answer any 2 of the following: 15X2=30**

1. Define national income. Explain the various methods used to calculate national income.
2. Critically analyse the Keynesian theory of income and employment.
3. Briefly explain the Hicks Hansen IS-LM model.

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| **ECA 215: MACRO ECONOMICS** |

**SCHEME:**

**3 MARKS:**

1. Study of the aggregates in the economy.
2. Stock is a variable which does not change. Flow is constantly changing variable like national income.
3. GDP= C+I+G+(X-M), GNP= C+I+G+[(X-M)+(R-P)]
4. Effective demand is where ASF=ADF.
5. As the income increases consumption expenditure also increases but not in the same proportion.
6. Accelerator=3
7. Transaction, precautionary, speculative motives.
8. MV=PT
9. Whenever a bank has a shortage of funds, they can typically borrow from the central bank based on the monetary policy of the country. The borrowing is commonly done via repos, where the repo rate is the rate at which the central bank lends short-term money to the banks against securities.
10. An increase in the price level because of an increase in demand for goods.
11. Index numbers used to measure the change in the price level of consumer goods.
12. Boom, recession, depression, recovery.

**5 MARKS:**

1. Business and household sectors to be shown with a diagram with savings and investments.
2. Pigou states that the problem of unemployment can be solved by reducing the existing wage rate. This will result in the increase in jobs.
3. Accepting deposits, lending, providing various other miscellaneous functions.

**15 MARKS:**

1. Any definition of NI to be given. The product method, expenditure method and the income method to be explained.
2. The Keynesian theory to be briefly explained and the criticisms to be highlighted.
3. IS-LM model with suitable diagrams to be given.

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