7. A hypothetical economy is characterised by following functions of an IS Model

   (a) C = 50 + 0.20YD

   (b) I = 80 + 0.10Y

   (c) G = 150

   (d) T = 100

   I. What is an equilibrium level of income, autonomous & induced consumption and budget deficit in the economy.

   II. What is the value of Keynesian multiplier in above hypothetical economy.

   III. What is the effect of a fiscal expansion will have on the equilibrium values of Y, C and I when an increase in government spending – G rises to 300 form the original level of government spending of 150. (6+6+6)

(200)

[This question paper contains 4 printed pages.]

Your Roll No..............

Sr. No. of Question Paper	:	**4702** **J**
Unique Paper Code	:	2924001013
Name of the Paper	:	Economic Policy Framework GE UGCF-2022
Name of the Course	:	**B.A. (H) Business Economics**
Semester	:	IV

Duration : 3 Hours Maximum Marks : 90

Instructions for Candidates

(i) Write your Roll No. on the top immediately on receipt of this question paper.

(ii) Attemp any **5** questions.

(iii) All questions carry equal marks.

(iv) Illustrate your answer with suitable diagrams, whenever required.

P.T.O.

1. What do you understand by the term 'Monetary Policy'? Explain the tools and instruments of monetary policy to attain macroeconomic objectives like price statability (inflation control) Do you think quantitative monetary measures are more effective than qualitative monetary instruments in developing country like India. Explain. (4+7+7)

2. What are the limitations of the measurement of national income in developing economies? Describe. How do components of expenditure approach to calculate national income differs from the income approach? Discuss. (10+8)

3. Write short notes on any **THREE**:

   (a) Inflation targeting

   (b) Instruments of Fiscal Policy

   (c) Exchange rate regimes

   (d) Credit Multiplier (6+6+6)

4. Which type of fiscal policy is more appropriate to counter a recessionary condition in an economy by raising aggregate demand? Explain. What are the fiscal tool which may help policy makers to alter the economic conditions? Explain with the help of an appropriate examples. (10+8)

5. The credit creation process of commercial banks is very complex and depends on many parameters and policy variables. Explain the credit creation process with the help of suitable examples. Do you think that state of the development of banking as well as peoples habit to adapt digital initiative like UPI, digital wallets affects banks credit creation process. Describe (14+4)

6. How do an exchange rate is determined under floating or market determined exchange rate regime? How do effects of a policy variables differs from fixed exchange rate than to floating exchange rate? Explain with suitable diagrams. (10+8)