[This question paper contains 2 printed pages.]

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

Sr. No. of Question Paper	**:**	**8658**	**J**
Unique Paper Code	:	2272101201	
Name of the Paper	:	Introductory Macroeconomics	
Name of the Course	:	**ITEP**	
Semester	:	II, 2025	

Duration : 3 Hours Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt any **five** questions.
3. **All** questions carry equal marks.
4. Use of simple calculator is allowed.

Q.1 (a) In an economy where

OrangeInc Transaction

Wages paid to OrangeInc employees	15000
Taxes paid to government	5000
Revenue received from sale of oranges	35000
Oranges sold to public	10000
Oranges sold to JuiceInc	25000

JuiceInc Transactions

Wages paid to JuiceInc employees	10000
Taxes paid to government	2000
Oranges purchased from OrangeInc	25000
Revenue received from sale of orange juice	40000

Calculate total value added from Product Approach, Income approach and Expenditure Approach (4+4+4)

(b) How is the three approaches equivalent? (6)

Q.2 (a) How is private saving different from government saving? What are the uses of private saving? (6+6)

(b) For the CPI values, calculate rate of inflation in the year 2011, 2012 and 2013

Year	2010	2011	2012	2013
CPI	51.3	50	45.6	40.9

(6)

P.T.O.

Q.3 Explain the demand and supply of Central Bank Money. Why is the Central Bank Money called the monetary base? (9)

Q.4 a) Explain the effect of autonomous decline in Investment demand in the Classical model? (9)

(b) For the given economy

$C = 50 + 0.8YD$
$\bar{I} = 70$
$\bar{\bar{G}} = 200$
$\overline{TR} = 100$
$t = 0.20$

Where C is consumption, YD is Disposable income, t is tax rate, G is autonomous Government expenditure, I is autonomous Investment expenditure, TR is transfers

(i) Calculate equilibrium level of income and the multiplier (6)
(ii) Calculate the Budget Surplus (3)

Q.5 What are the factors that determine the slope of IS? Explain using diagrams. (18)

Q.6 For the given economy

$C = 0.8\,(1-t)\,Y$
$I = 900 - 50i$
$\bar{G} = 800$
$t = 0.25$
$L = 0.25Y - 62.5i$

$$\frac{\bar{M}}{\bar{P}} = 500$$

Where C is consumption, L is real money demand, t is tax rate, G is autonomous Government expenditure, I is Investment expenditure, $\frac{\bar{M}}{\bar{P}}$ is real money supply

(i) Calculate the IS equation (6)
(ii) Calculate the LM equation (6)
(iii) Find the equilibrium income and rate of interest for this economy (6)

Q.7 What is the transmission mechanism of monetary policy? Comment on the effectiveness of monetary policy in the Liquidity trap situation? (6+6+6)

Q.8 Write Short Notes on any three of the following (6+6+6)
(a) Quantity Theory of Money
(b) Fiscal Policy Multiplier
(c) Full crowding out
(d) Effect of investment subsidy on investment, income and rate of interest
(e) Income Approach to measuring GDP

(100)