(b) Explain how specialization makes it possible to produce more products globally when countries trade on the basis of comparative advantage. (9,9)

7. Write short notes on :

(a) Absolute advantage.

(b) Backward bending of labor supply curve.

(c) Nominal exchange rate and real exchange rate. (6,6,6)

(200)

[This question paper contains 4 printed pages.]

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

Sr. No. of Question Paper : 3475 **J**

Unique Paper Code : 6132361203

Name of the Paper : Macroeconomics

Name of the Course : **B.A. (VS) Marketing Management and Retail Business DSC**

Semester : II

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. Part of the questions should be attempted together.
4. **All** questions carry equal marks.
5. Use of calculator not allowed.

P.T.O.

1. (a) Explain the circular flow of income in a three-sector economy.

   (b) Differentiate between nominal and real income GDP. Explain, what is the relationship between unemployment and real GDP? (8,10)

2. (a) Discuss in brief the factors that influence consumption, investment and exports in an economy.

   (b) Explain investment multiplier with the help of a diagram. Show how it is directly related to MPC and inversely related to MPS. (9,9)

3. Using appropriate diagram, explain the effect of expansionary fiscal policy an increased taxes on output level and employment. (18)

4. (a) Derive the IS and LM equation and find the equilibrium level of income and the interest rate. Illustrate your answer with appropriate diagram in IS-LM framework.

   (b) For an economy following information are given

Consumption	C = 300+0.24Yd
Taxes	T= 60
Investment	1= 600
Government expenditure	G= 600
Exports	X= 180
Imports	M= 120

   Calculate

   (j) Equilibrium level of income (ii) Consumption (iii) Multiplier. (9,9)

5. (a) "Balance of payments of a country is always zero" Comment on this statement.

   (b) Explain, why high rate of inflation is bad for an economy? How does inflation affect various segments of society? (9,9)

6. (a) Explain the determination of equilibrium wages in the labor market with the help of labor demand and labor supply curves.