(b) What is balance of payments account? Differentiate between the current and capital accounts of the balance of payments. (8,10)

8. Write notes on any **two** of the following :

(a) Circular flow of income.

(b) Fiscal and monetary policy tools to curb inflation.

(c) Exchange Rate determination in a flexible exchange rate regime. (9,9)

[This question paper contains 4 printed pages.]

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

Sr. No. of Question Paper : 3476 **J**

Unique Paper Code : 6132371203

Name of the Paper : Macroeconomics

Name of the Course : **B.A. (VS) Material Management 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 to be attempted together.
4. **All** questions carry equal marks.

1. (a) Discuss the value-added method of measuring national income. What problems are faced in its estimation?

   (b) Is increase in National income an indicator of economic welfare? Comment. (10,8)

2. (a) What is multiplier? Explain the working of it.

   (b) Calculate the value of multiplier and change in income when change in investment in the economy is ₹ 100 crore and the Marginal propensity to save (MPS) is 0.2. (12,6)

3. (a) Explain the relationship between APC, MPC, APS and MPS.

   (b) For the given information about an economy :

   C = 10 + 0.8 Yd,

   1 = 60,

   G = 110,

   t = 0.20

   C=consumption, Yd=disposable income, I = investment,

   G = government expenditure, t = tax rate

   Calculate equilibrium level of income (Y), government multiplier and budget surplus/deficit. (8,10)

4. (a) Using proper diagrams, explain the determination of national income in Keynesian analysis.

   (b) Explain how equilibrium rate of interest is determined in the money market. Use suitable diagram. (10,8)

5. (a) Explain the derivation of IS curve. Discuss the factors that affect the slope of IS curve.

   (b) Using IS - LM analysis, explain the effect of fiscal and monetary policies on equilibrium level of income? Use suitable diagram. (8,10)

6. (a) How is equilibrium level of employment and wage rate determined in the classical system. Use suitable diagram.

   (b) Explain the effect of shift in aggregate demand curve when there is full employment in the economy. Use suitable diagram. (10,8)

7. (a) How are investment and employment decisions of a firm affected in high fluctuations in business cycle?