

**FACULTY OF COMMERCE AND MANAGEMENT**  
**SECOND YEAR FIRST SEMESTER EXAMINATION IN BBA IN HONS**  
**/BCOM IN HONS (2020/2021)**  
**(PROPER/REPEAT [FEBRUARY/ MARCH 2023])**  
**ECN 2033 Macroeconomics**

Answer all Questions

Time: Three Hours

**Calculator is Permitted**

1.
  - a. Define the term "Macroeconomics". (04 Marks)
  - b. What are the three main goals of macroeconomics? Briefly explain. (06 Marks)
  - c. Explain the three-sector model income circular flow using diagram. (04 Marks)
  - d. Define the term money and list out the importance of money in modern economy. (06 Marks)

**(Total 20 Marks)**
  
2.
  - a. Explain the determinants of investment in an economy (04 Marks)
  - b. Answer the following questions using the Life Cycle model for a typical consumer with the following expectations:

Worker's current age	35
Life expectancy (age at death)	75
Expects to work until age	65
Expected annual average income while working	\$36,000

    1. Lifetime income of the individual
    2. Period for earning income
    3. Average consumption throughout his life expectancy

(06 Marks)
  - c. Briefly explain any of four determinants of consumption function. (04 Marks)
  - d. **When consumption does not decrease in proportion to the decrease in income, then APC rises and MPC falls called Ratchet effect in consumption behaviour.** Explain the **Ratchet effect** using a diagram and justify the APC rises and MPC falls. (06 Marks)

**(Total 20 Marks)**
  
3.
  - a. Explain the advantages of calculating national income of a country. (06 Marks)
  - b. Distinguish between personal income and disposable income. (06 Marks)
  - c. Suppose an economy is described by the following structural equations:  
 $C = 40 + 0.6Y_d$   
 $I = 80$

$$G = 20$$

$$T = 10$$

- a. Find out the equilibrium level of national income.
- b. Calculate the consumption and saving at equilibrium level of income.
- c. What is the value of the multiplier?
- d. Find the new equilibrium level of income when the government expenditure increases by 20.

(04\*2 = 8)

**(Total 20 Marks)**

4.

- a. Briefly explain the impact of inflation.

(04 Marks)

- b.  $C = 100 + 0.8Y_d$ ,

$$I = 50 - 25i,$$

$$M^s/p = 200,$$

$$M^d = Y - 25i$$

- i. Derive the IS Curve

- ii. Derive the LM Curve

- iii. Calculate the equilibrium level of output and interest.

(06 Marks)

- c. Explain the determinants of money supply in an economy.

(04 Marks)

- d. Explain the various kinds of policies that the government has used to influence the macroeconomy.

(06 Marks)

**(Total 20 Marks)**

5.

- a. What is meant by Business cycle and briefly explain need for controlling business cycle.

(06 Marks)

- b. "Commercial banks play a major role in economic development of their countries", state the role of a Commercial Bank in the economic development of a country?

(06 Marks)

- c. Briefly explain the following

- i. Frictional Unemployment

- ii. Impact of Tax

(2\*4 = 08 Marks)

**(Total 20 Marks)**