

**THIRD SEMESTER UG DEGREE EXAMINATION, NOVEMBER 2023****(Regular/Improvement/Supplementary)****BBA HONOURS****GBAH3B10T: PRINCIPLES OF MACRO ECONOMICS****Time: 3 Hours****Maximum Marks: 80****PART A: Answer all the questions. Each carries one mark.****Choose the Correct Answer.**

1. Which of the following is the method of measuring National Income?  
A) Income method      B) Product method      C) Expenditure method      D) All of these
2. Which one is included in National Income?  
A) Rent, Wage, Interest      B) Rent, Wage, Salary  
C) Rent, Profit, Interest      D) Rent, Wage, Salary, Interest, Profit
3. In the AS-AD model, a supply shock such as an increase in the price of oil leads to all of the following except:  
A) A decrease of output in the short run.  
B) An adjustment of expectations to a lower level of prices in the medium run.  
C) An increase of the interest rate in the short run.  
D) An increase of the interest rate in the medium run.
4. The long-run Phillips Curve is vertical which indicates.....  
A) that in the long-run, there is no tradeoff between inflation and unemployment.  
B) that in the long-run, there is no tradeoff between inflation and the price level.  
C) that in the long-run, the economy returns to a 4 % level of inflation.  
D) none of the above.
5. Which type of policy does the Fed utilize?  
A) Active policy      B) Passive policy      C) Monetary policy      D) Fiscal policy

**Fill in the Blanks.**

6. \_\_\_\_\_ flow shows flow of goods and services across different sectors.
7. The total value of all final goods and services produced within the domestic territory of a country during an accounting year is known as \_\_\_\_\_.
8. Demand deposit also known as \_\_\_\_\_.
9. The discrepancy between policy announcements and policy actions is known as \_\_\_\_\_.
10. \_\_\_\_\_ relies on the judgment and character of policymakers to pursue the optimal long-term policies for the economy.

**(10 x 1 = 10 Marks)****(PTO)**

**PART B: Answer any *eight* questions. Each carries *two* marks.**

11. Name the methods used to measure national income.
12. What do you mean by net exports?
13. What are the principal differences between government purchases of goods & services and transfer payments?
14. Which are the factors that cause the CPI to exaggerate the inflation rate?
15. Differentiate between the relation between saving and investment.
16. What is the medium of exchange function of money?
17. What happens in the short run when spending increases?
18. Who is a policy maker?
19. Comment on government debt.
20. Give an account on tax law.

**(8 x 2 = 16 Marks)**

**PART C: Answer any *six* questions. Each carries *four* marks.**

21. How do we correct economic variables for the effects of inflation?
22. What are the problems in measuring the cost of living?
23. Give a note on the concept of economic growth around the world.
24. What is the relation between inflation and nominal exchange rate?
25. Give a note on the short run and long run tradeoff between inflation and unemployment.
26. Discuss the advantages of monetary policy measures in Indian economy.
27. Explain the 3 kinds of government spending for fighting recessions with spending hikes.
28. Which are the six debates over macroeconomic policy?

**(6 x 4 = 24 Marks)**

**PART D: Answer any *two* questions. Each carries *fifteen* marks.**

29. Graphically depict the changes in the aggregate demand curve due to the changes in the money market equilibrium.
30. Which theory is known as the first theory of exchange rate determination? Explain it. Discuss the relevance of it in determining the exchange rate.
31. What is inflation? How does it enter an economy? What are the remedies to control it?

**(2 x 15 = 30 Marks)**