THIRD SEMESTER UG DEGREE EXAMINATION, NOVEMBER 2024
(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. A shift in the Phillips Curve to the right is most likely caused by:

   A) A decrease in inflation expectations.   B) An increase in inflation expectations.

   C) An increase in the labor force participation rate.   D) A decrease in oil prices.

2. The term natural rate of unemployment was coined by _____.

   A) Arthur M Okun.   B) A W Phillips.

   C) Milton Friedman.   D) None of the above.

3. The market for loanable funds primarily involves:

   A) The buying and selling of goods and services.

   B) The interaction of borrowers and lenders determining the interest rate.

   C) The exchange of foreign currency.

   D) The purchase of stocks and bonds.

4. A leftward shift in the aggregate demand curve might be caused by:

   A) An increase in government spending.   B) A decrease in interest rates.

   C) A rise in consumer confidence.   D) An increase in taxes.

5. The velocity of money measures:

   A) The rate at which money circulates in the economy.

   B) The total money supply in the economy.

   C) The average price level of goods and services.

   D) The amount of money held by the central ban.

Fill in the Blanks.

6. Monetary neutrality suggests that changes in the money supply affect _____ variables in the short run.

7. Equation of exchange is coined by _____.

8. The total quantity of goods and services that producers in an economy are willing and able to supply at different price levels is represented by _____.

9. The rate at which the central banks lend money to commercial bank is _____.

10. GDP deflator is _____.

(10 × 1 =10 Marks)
(PTO)

Part B. Answer any *eight* questions. Each carries *two* marks.

11. List out the instruments of fiscal policy.

12. Write a short note on classical dichotomy.

13. What is CPI? How is CPI calculated?

14. What are the costs of inflation?

15. Examine the purchasing power parity theory of exchange rate.

16. Distinguish between real and nominal exchange rate.

17. Explain the concept of natural rate of unemployment in Philips Curve.

18. What is open market operation?

19. What are the potential benefits of tax cuts during an economic downturn?

20. Examine Fisher effect.

(8 × 2 = 16 Marks)

Part C. Answer any *six* questions. Each carries *four* marks.

21. Enumerate the functions of money.

22. Distinguish between rules and discretion.

23. Discuss the role of expectation in shifting Phillips curve.

24. Examine the idea of costless disinflation according to the rational expectations theory.

25. Elaborate on the instruments of monetary policy.

26. What is the relevance of fiscal policy according to Keynes?

27. Narrate crowding out effect.

28. Examine the theory of liquidity preference.

(6 × 4 = 24 Marks)

Part D. Answer any *two* questions. Each carries *fifteen* marks.

29. Explain how monetary policy serves as a tool for stabilizing the economy during inflation.

30. Describe the aggregate demand and aggregate supply curves. How do shifts in these curves affect the overall economy?

31. Describe the methods of measuring Gross Domestic Product.

(2 × 15 = 30 Marks)