JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT

TEST -2 EXAMINATION- 2024

BBA-II Semester

COURSE CODE(CREDITS): 23BB1HS212(4) MAX. MARKS: 25

COURSE NAME: Macroeconomics

COURSE INSTRUCTORS: Bilal Khan MAX. TIME: 1 Hour 30 Minutes

Note: (a)*All questions are compulsory.*

(b)Marks are indicated against each question in square brackets.

(c) The candidate is allowed to make Suitable numeric assumptions wherever required for solving problems

---

1. The following data characterises the macroeconomic conditions of a hypothetical economy: (CO2) [5]

Consumption (C)= 100+0.5Y_d

Investment (I)= 70

Government Expenditure (G)=20

Taxes (T)=10

Find the following:

(a) The equilibrium level of income.

(b) If lump sum taxes increase by 20, (i) what is the equilibrium level of income, and (ii) lump sum tax multiplier?

(c) If government expenditure decreases by 5, what is (i) equilibrium level of income, (ii) Government expenditure multiplier?

2. Suppose, an economy is characterised by the following functions: (CO2) [5]

C = 100 + 0.8 Yd

I = 100

G = 100

T = 100

Find the following:

(a) The equilibrium level of income.

(b) How much increase in income will take place if government expenditure on goods and services increases by Rs. 60 crores?

(c) Find the tax multiplier and government expenditure multiplier?

3. 'In Keynesian model of income determination, equilibrium national income is not necessarily established at full employment level'. Discuss. (CO3) [5]
4. 'Liquidity trap is the preference for unlimited idle cash balance when the rate of interest falls much below the 'normal' level'. Explain the statement in the context of Keynes liquidity preference theory of demand for money. (CO3) [5]
5. Write short notes on ***any one*** of the following: (CO3) [5]
   (a) H-Theory of money supply
   (b) Tobin's portfolio approach to money demand