

Student's Roll No.		-		-		-					
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ST. XAVIER'S COLLEGE (AUTONOMOUS)

**1st SEMESTER EXAMINATION
B.B.A.
NOV - DEC 2010**

MANAGERIAL MACRO ECONOMICS - I MAEA3101

Saturday, December 04, 2010 9:30 am to 11:30 am

Time allowed: **2 hours**

Full Marks: **50**

Instructions:

- Use fountain pen or ball-point pen of blue or black ink.
- Answer in your own words as far as practicable.
- Do not write anything on the Question paper other than your Roll No.

GROUP – A

Answer **ANY FIVE** questions.

(5x2=10)

1. Define 'Investment multiplier'. What will be its value when $mpc=0.6$?
2. Define Personal Income.
3. State and explain Okun's Law.
4. What are the components of Aggregate Demand?
5. Distinguish between real and nominal interest rate.
6. Mention any two functions of money.
7. Under what conditions does the IS curve become horizontal?

GROUP – B

Answer **ANY FOUR** questions.

(4x10=40)

8. (a) Derive the aggregate saving and aggregate investment identity in an open economy.
(b) Suppose in a closed economy without the government sector, the consumption function is given by $C = 100 + 0.8 Y$ and the investment function is given by $I = 50$.
 - (i) What is the equilibrium level of income?
 - (ii) What is the level of saving in equilibrium?
 - (iii) If 'I' were to rise to 100, then what would be the effect on equilibrium income?
(5+2+1+2)
9. (a) In a hypothetical economy domestic consumption expenditure (C) is given by 3000 units, government expenditure (G) as 500, domestic investment (I) is 900, exports (X) as 100 and imports (M) as 60.
 - (i) Find the level of domestic savings (S).
 - (ii) What is the size of the government budget deficit?(b) What is the size of the total leakage in the economy? How is it affected if there is a tax, $T = 100$ introduced in the economy?
(2+3+5)
10. (a) What is a loanable funds market? How is the equilibrium real interest rate determined in the market?
(b) Explain the effect of a tax allowance to private investment on the market equilibrium. (6+4)
11. (a) Why does the demand for money vary inversely with respect to the interest rate?
(b) What are open market operations? Describe how the monetary authorities use open market operations to influence the market rate of interest. (5+5)
12. In an ISLM model graphically analyse the consequences of each of the following on interest rates and income levels.
 - (a) A rise in taxes.
 - (b) An increase in government bond issues.
 - (c) A reduction in government expenditure.
 - (d) An increase in export earning. (2.5x4)
13. Write short notes on (**any two**): (2x5=10)
 - (a) CPI & GDP deflator.
 - (b) Balanced Budget Multiplier.
 - (c) Crowding out effect.
 - (d) Labour market equilibrium.
