



VIT

Vellore Institute of Technology
(Deemed to be University under section 3 of UGC Act, 1956)

REG.NO.:

SCHOOL OF SOCIAL SCIENCES AND LANGUAGES
CONTINUOUS ASSESSMENT TEST - II
FALL SEMESTER 2026-2027

SLOT: C1+TC1

Programme Name & Branch : B.Tech (All)
Course Code and Course Name : BAHUM107 - Macro Economics
Faculty Name(s) : AQUIB PARVEZ
Class Number(s) : VL2026270104563
Date of Examination : 29/09/2026 (04:30 PM- 06:00 PM)
Exam Duration : 90 minutes **Maximum Marks: 50**

General instruction(s):

- Answer All Questions
- M - Max mark; CO - Course Outcome; BL - Blooms Taxonomy Level (1- Remember, 2 - Understand, 3 - Apply)
- **CO2-** Analyze the Classical and Keynesian theories of income and employment, and examine the causes and effects of inflation, deflation, and the Phillips Curve relationship between inflation and unemployment.
- **CO3-** To analyze the role of consumption, investment, and policy instruments in achieving macroeconomic stability and growth

Q. No	Question	M	CO	BL
1.	Why could full employment not be achieved in reality from a Keynesian perspective? Explain with the help of diagrams.	10	2	1
2.	Explain the different propensities to consume and save with the help of examples. Include also the relationship between them.	10	2	1
3.	An economy has actual equilibrium income of ₹4,000 crore but full-employment income is ₹4,600 crore. MPC = 0.8. The government wants to close this deflationary gap without running a budget deficit (i.e., using only a balanced budget change in Government expenditure and taxes): (a) What equal increase in G and T is required to achieve this goal? (b) Verify your answer satisfies the required ΔY .	10	3	2
4.	In an economy, a balanced budget increase in G and T caused national income to rise by exactly ₹750 crore. If it is known separately that a ₹750 crore rise in investment alone would have raised income ₹3750 crore, find: the value of MPC, the initial equilibrium Y, given that $I = 1,000$, $G = 800$, $T = 800$, and $a = 200$ before any change.	10	3	1
5.	$C = 100 + 0.8Y_d$, $I = 300$, $G = 400$, $T = 300$. Suppose the government raises G by ₹250 crore but raises T by only ₹150 crore (not a balanced budget change). (a) Find the new equilibrium Y. (b) By how much does this deviate from what a strictly balanced budget change of ₹150 crore would have produced? (c) What additional tax increase (beyond ₹150 crore) would have been needed to make it a true balanced budget change, and what would ΔY have been then?	10	3	1
