V/D/TY

Reg. No:

Final Assessment Test – April 2025

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

Course: BHUM104L - Macro Economics

Class NBR(s): 4470

Slot: A2+TA2

Time: Three Hours

Max. Marks: 100

- **KEEPING MOBILE PHONE/ANY ELECTRONIC GADGETS, EVEN IN 'OFF' POSITION IS TREATED AS EXAM MALPRACTICE**
- **DON'T WRITE ANYTHING ON THE QUESTION PAPER**

Answer ALL Questions
(10 X 10 = 100 Marks)

1. What is Macroeconomics? Explain some of the macroeconomic issues in detail.

2. Define the terms personal income and personal disposable income. Conceptually, how do these income measures differ from national income? Of what use are these measures?

3. In microeconomics, we expect the supply curve for the firm to slope upward to the right when drawn against price. The classical aggregate supply curve is based on this microeconomic theory of the firm but is vertical. Why?

4. Illustrate how an increase in taxes will affect the equilibrium income under Keynesian Macroeconomics.

5. Explain the Keynesian theory of investment multiplier. What are possible leakages in the multiplier mechanism?

6. Explain Phillips Curve with a diagram.

7. Within the IS – LM model, show how income and the interest rate are affected by each of the following:

   a) A decline in government spending.

   b) An autonomous increase in investment spending.

   c) A decline in taxes.

   d) A decline in the money supply.

8. How do you understand the Macroeconomic indicators? Explain with a few examples.

9. a) Discuss the policy implications of the Classical Equilibrium Model.

OR

9. b) What is meant by marginal efficiency of capital? How is it calculated? What are the factors that determine marginal efficiency of capital in the economy?

10. a) Compare GNP Deflator and Consumer Price Index in detail.

OR

10. b) Suppose a Central Bank wants to increase bank reserves. Explain the various measures that could be used to do so. In each case, illustrate the link between the Central Bank's policy action and the level of bank reserves.

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