Soumojit

VIT

Vellore Institute of Technology

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

School of Social Sciences and Languages
Continuous Assessment Test II
Fall Semester 2023-24
(B.Tech – All Branches)

Course Code	: BHUM104L	**Duration**	: 90 Minutes.
Course Name	: Macro Economics	**Max. Marks**	: 50 Marks
Class No	: VL2023240104669	**Date**	: 18-10-2023
Slot	: D2+TD2	**Time**	: 9:30 AM-11:00 AM
Faculty-In-Charge	**: Dr. Abdhut Deheri**		

Answer All the Questions (5 x 10 = 50 Marks)

Q. No.	Questions	Max. Marks
1.	In a three-sector model, the consumption function is given by $C = 200 + 0.75\ (Y\text{-}T)$. Investment (I) is 100; Government purchases (G) and Taxes (T) are both 100. a) Compute the equilibrium income (Y). b) Find out the Government and Tax multipliers.	5+5=10
2.	Suppose in a two-sector model, the consumption function: C = 100 + 0.75Y, and Investment: I = Rs. 100 crores. a) Plot the consumption function using a suitable diagram. b) Find the equilibrium values for Y and C.	2+8=10
3.	Diagrammatically illustrate the concept of IS curve. How do the changes in slope parameters alter the shape of the IS curve?	5+5 = 10
4.	Elaborate on the Keynesian theory of money demand with a suitable diagram.	5+2+3 = 10
5.	Suppose Consumption Function: C = 100 + 0.75 (Y – T), Investment function: I = 200 – 2000r, where 'r' is the interest rate, Government expenditure: G = Rs 100 crores, tax function: T = 0.20Y, Money demand function: M_d = 100 + 0.5Y - 2500r and Money supply: M_s = Rs. 200 crores a) Derive the IS and LM curve equations. b) Find out the equilibrium income and interest rate in both goods and money markets.	6+4 = 10