



End Term (Even) Semester Examination May-June 2025

Roll no.....

Name of the Program and semester: Bcom (Hons) ^{2nd} Sem

Name of the Course: Macroeconomics

Course Code: BCH 203

Time: 3 hour

Maximum Marks: 100

Note:

- (i) All the questions are compulsory.
- (ii) Answer any two sub questions from a, b and c in each main question.
- (iii) Total marks for each question is 20 (twenty).
- (iv) Each sub-question carries 10 marks.

Q1. (2X10=20 Marks)

- a. Explain the concept of circular flow of income and distinguish between its two-sector and three-sector models. (CO1)
- b. Define macroeconomic equilibrium and describe the conditions under which equilibrium is achieved in the short run. (CO1)
- c. Describe the key components of national income and explain how they relate to expenditure and income. (CO1)

Q2. (2X10=20 Marks)

- a. Describe how fiscal and monetary policies affect aggregate demand in the short run. (CO2)
- b. Explain the difference between short-run and long-run aggregate supply with suitable diagrams. (CO2)
- c. What happens to the equilibrium level of output and prices when aggregate demand increases? Illustrate using the AD-AS model. (CO2)

Q3. (2X10=20 Marks)

- a. Differentiate between demand-pull and cost-push inflation with appropriate examples. (CO3)
- b. Explain the concept of the natural rate of unemployment and its implications for policy. (CO3)
- c. Interpret the Phillips Curve and explain the trade-off between inflation and unemployment. (CO3)

Q4. (2X10=20 Marks)

- a. Describe how exchange rates influence the flow of goods and capital in an open economy. (CO4)
- b. Explain the difference between fixed and flexible exchange rate systems. (CO4)
- c. Discuss the role of interest rate differentials in a large open economy's capital flows. (CO4)

Q5. (2X10=20 Marks)

- a. Demonstrate the determinants of business fixed investment and demonstrate how taxes influence investment decisions. (CO5)
- b. Apply the transaction and portfolio theories of money demand explain how a change in the interest rate might influence an individual's demand for money under each theory. (CO5)
- c. Analyze the impact of interest and income elasticity on the demand for real balances. (CO5)