TRIBHUVAN UNIVERSITY
FACULTY OF MANAGEMENT
Office of the Dean
January 2021

Full Marks: 60
Pass Marks: 30
Time: 1.5 Hrs.

BIM / Fifth Semester / ECO 202: Macro Economics

Candidates are required to answer the questions in their own words as far as practicable.

Attempt any SIX Questions: [6 × 10 = 60]

1. What is macroeconomics? Explain its scope.

2. Define GDP. How is it measured by value-added method? Explain with suitable examples. *[2+8]*

3. Explain the concept of demand pull inflation. How can it be controlled by fiscal policy? *[6+4]*

4. Let, saving function, $S = -30 + 0.25Y$ and investment function, $I = 50 + 0.2Y$. Compute equilibrium level of income, saving and investment. If saving increases by Rs. 20 billion, what will be the effect on income, saving and investment? Does it reflect paradox of thrift? Give reason. *[4+4+2]*

5. Explain the significance of monetary policy in developing countries.

6. Derive LM curve.

7. What is globalization? Explain its advantages. *[2+8]*

8. (a) Derive tax multiplier.

   (b) Let, $C = 200 + 0.8 (Y - T)$, $T = 80 + 0.2Y$, $I = 300$, $G = 200$, $X = 40$, $M = 5 + 0.1Y$.

      (i) Determine equilibrium output.

      (ii) What will be the effect on equilibrium output when government increases its planned expenditure by Rs 100 billion and reduces tax rate by 5%? *[2+4+4]*

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