

K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH,
Vidyavihar, Mumbai- 400077

Program: PGDM - IB(Batch2016-18), Trimester-II
Subject: Macro Economics
(End Term Examination)

Maximum Marks: 50 Marks
Duration: 3 hours

Date: 30-12-2016

Instructions

Attempt any five of the following questions.

Q1. The addition of the Government sector to the two sector model changes the structure of the model and of the circular flows. Explain(10)

Q2. (a) What is an Investment Multiplier? Explain how an additional investment multiplies itself to contribute to the national income (5)

(b) Calculate (i) the national income and (ii) personal disposable income from the following information

(5)

GDPmp	8000	
Receipts of factor income from rest of the world	150	
Payments of factor income to the rest of the world	250	
Depreciation	1000	
Indirect taxes-subsidies	500	
Corporate profits	1200	
Dividend	600	
Transfer payments	1300	
Personal taxes	1500	

Q3. (a) What is IS curve? Derive an IS curve from the goods market equilibrium. (5)

(b) You are given the following information about an economy: (5)

$$\text{Consumption function} = 1000 + 0.5(Y - T)$$

$$\text{Investment, } I = \text{Rs } 2000 \text{ crores}$$

$$\text{Government expenditure} = \text{Rs } 1000 \text{ crores}$$

$$\text{Taxes} = 1000 \text{ crores}$$

- i) Find the equilibrium level of income without taxes.
- ii) Find the equilibrium level of income with taxes.

Q 4. Explain the main instruments of monetary policy that can be adopted to control inflation in the economy (10)

Q5. What is meant by the balance of payments? Explain the major causes of disequilibrium in balance of payments. (10)

Q 6. Write short notes on any two of the following $2 \times 5 = 10$ marks

- (a) Phillips curve
- (b) Gross national Product
- (c) Types of Unemployment
- (d) Fiscal Policy

-----End of Paper-----