ST. FRANCIS DE SALES COLLEGE

A FRANSALIAN INSTITUTE OF HIGHER EDUCATION AUTONOMOUS

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END SEMESTER EXAMINATION – APRIL/MAY 2026

ECONOMICS – II SEMESTER BA (Repeaters)

24UBA24A – MACROECONOMICS

Time: 3 Hours **Max. Marks: 80**

Instruction: *Answer should be written completely in English.*

SECTION - A

Answer any ten questions. Each question carries two marks. **(10X2=20)**

1. What is meant by macroeconomics? Give a brief explanation of its nature and scope.
2. Define Gross Domestic Product (GDP) and Net Domestic Product (NDP).
3. State any two assumptions of the classical theory of employment.
4. What is Keynes' psychological law of consumption?
5. What are the primary functions of money?
6. What is the liquidity trap in Keynesian theory?
7. Mention two factors that influence the slope of the LM curve.
8. What is the impact of a contractionary monetary policy on the LM curve?
9. Define demand-pull inflation.
10. Differentiate between inflation and stagflation.
11. Define Disposable Personal Income (DPI).
12. State the Cambridge equation of the quantity theory of money.

SECTION - B

Answer any six questions. Each question carries five marks. **(6X5=30)**

13. Explain the three methods of measuring national income- Income, Expenditure, and Value Added in detail.
14. Critically evaluate the classical view of employment. Why did Keynes reject this model during the Great Depression?
15. Define fiscal policy. Discuss the role and challenges of fiscal policy in managing a demand-deficient economy.
16. Discuss how equilibrium income and interest rates are determined in the IS-LM framework. Illustrate with a diagram.
17. Evaluate the effects of expansionary fiscal policy in the IS-LM model.
18. Explain the short-run and long-run Phillips Curve. What policy insights does it offer?
19. Discuss the adverse effects of high inflation on income distribution, savings, and investment.
20. What are the main functions of money? Explain each briefly.

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SECTION - C

Answer any three questions. Each question carries ten marks. **(3X10=30)**

21. What is Macroeconomics, and why is it important in understanding the economy? Explain the key indicators used in macroeconomics, such as GDP, GNP, NNP, NDP, NI, PI, and DPI.
22. In the Keynesian framework, explain the functioning of the three-sector model and how equilibrium output is determined.
23. What is the Keynesian Theory of Liquidity Preference? Explain how it affects interest rates and the demand for money.
24. Discuss the properties of IS and LM curves. How do changes in fiscal and monetary variables affect their slope and position? Illustrate with diagrams.
25. What is Keynes' explanation of the trade cycle? How does it differ from the classical and Austrian views?