ST. FRANCIS DE SALES COLLEGE
A FRANSALIAN INSTITUTE OF HIGHER EDUCATION AUTONOMOUS
NAAC A GRADE • AFFILIATED TO BANGALORE UNIVERSITY • AICTE APPROVED • 2(F) & 12 (B) RECOGNITION OF UGC • ISO 9001:2015 CERTIFIED
Electronics City P.O., Bengaluru - 560 100, Karnataka, INDIA (+91) 8088140679 pro@sfscollege.in www.sfscollege.in

# END SEMESTER EXAMINATION – MAY 2025
# HEP - II SEMESTER B.A
# 24UBA24A - MACRO ECONOMICS

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

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

## SECTION - A

**Answer all the questions. Each question carries two marks.** **(10X2=20)**

1. What is the GDP deflator? Mention how it is used to calculate real GDP.
2. Differentiate between stock and flow variables. Give one example of each.
3. State any two assumptions of the classical theory of employment.
4. What is Keynes' psychological law of consumption?
5. What is the liquidity trap in Keynesian theory?
6. State the Cambridge equation of the quantity theory of money.
7. Mention two factors that influence the slope of the LM curve.
8. How does a decrease in government spending affect the IS curve?
9. Differentiate between inflation and stagflation.
10. What is Inflation?

## SECTION - B

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

11. What are the main difficulties in calculating national income in a country like India?
12. Explain the Keynesian theory of output, income and employment.
13. What are the main functions of money? Explain each briefly.
14. Discuss how equilibrium income and interest rates are determined in the IS-LM framework. Illustrate with a diagram.
15. Discuss the adverse effects of high inflation on income distribution, savings, and investment.

## SECTION - C

**Answer any two questions. Each question carries fifteen marks.** **(2X15=30)**

16. What are the challenges faced in measuring National Income? Explain why it is difficult to accurately calculate GDP and other macroeconomic variables.
17. In the Keynesian framework, explain the functioning of the three-sector model and how equilibrium output is determined.
18. What is a liquidity trap? How does the concept of liquidity trap challenge the effectiveness of monetary policy?
19. How does monetary policy influence the LM curve? Discuss its transmission mechanism through the IS-LM model.