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 – APRIL/MAY 2026

ECONOMICS – II SEMESTER BA

25UBA24A – 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. Define Macroeconomics.
2. Mention few words on Real GDP.
3. Distinguish between Market Price and Factor Cost.
4. Illustrate with an example how a change in consumption affects effective demand according to Keynes.
5. Write a note on Multiplier and Accelerator.
6. Explain the meaning of credit creation by commercial banks.
7. Explain the Primary functions of money with suitable example.
8. Analyse how the interaction between demand for money and supply of money determines the rate of interest.
9. Define the IS–LM model.
10. What is Repo Rate?
11. Define Inflation.
12. Analyse the effectiveness of monetary and fiscal measures in controlling high inflation in an economy.

SECTION - B

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

13. Explain the New GDP Series introduced in India and mention the major changes made in its calculation.
14. Explain the circular flow of Income in a four-sector economy with a diagram.
15. Explain the Keynesian Psychological Law of Consumption with its key features and importance.
16. Explain Quantity Theory of Money and write Irving Fisher's equation of exchange.
17. Explain the process of Credit Creation by banks.
18. Explain the meaning and components of the IS–LM model.

19. Analyse the effectiveness of macroeconomic policy in achieving stability and growth in developing countries.
20. Apply the phases of a trade cycle to explain how an economy moves from expansion to recession.

SECTION - C

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

21. Define Macroeconomics and explain its significance (importance).
22. What is Effective Demand? Explain the Keynes major criticism of the classical theory of employment.
23. Explain John Maynard Keynes' Liquidity Preference Theory of Interest and how the rate of interest is determined.
24. Explain the meaning, nature, forms, and functions of money in a modern economy.
25. Critically analyse Hawtrey's and Hayek's theories in explaining trade cycles.