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UNIVERSITY OF PETROLEUM & ENERGY STUDIES

End-Term Examination, December 2021

Program/course: BA Hons. (Economics)
Subject: Macroeconomics I
Code : ECON 1003

Semester : I
Max. Marks : 100
Duration : 3 Hrs

Section-A

All the questions are compulsory in this section. [10*2=20]

Q.No.	Questions	CO
1.	If the working hours increases, ceteris paribus, then the economy GDP would- (a) Increase. (b) Decrease. (c) Remain constant. (d) Uncertain.	CO1
2.	Real GDP increases- (a) When there is an increase in the price level. (b) When there is an increase in the output of goods and services. (c) When there is an increase in the population. (d) At a constant rate over time.	CO1
3.	Many workers have lost their jobs due to installation of computers, which they do not know how to operate. This has caused- (a) Frictional unemployment. (b) Structural unemployment. (c) Voluntary unemployment. (d) Cyclical unemployment.	CO1
4.	The natural rate of unemployment equals the sum of those who are- (a) Frictionally and structurally unemployed. (b) Frictionally and cyclically unemployed. (c) Structurally and cyclically unemployed. (d) Frictionally, structurally, and cyclically unemployed.	CO1
5.	By definition, the marginal propensity to consume- (a) Equals $\Delta c / \Delta Y_d$. (b) Is the coefficient c in the equation $C = a + bY_d$. (c) Is the slope of the consumption function. (d) All of the above.	CO1
6.	If GDP is greater than GNP of a country, then its- (a) Net factor Income from abroad is positive. (b) Net factor Income from abroad is negative. (c) Gross Export is positive.	CO1

	(d) None of the above.	
7.	Cost-push inflation could arise due to- (a) Oil price hike. (b) Increased dearness allowance. (c) Tight monetary policy. (d) all of the above.	CO1
8.	According to permanent income hypothesis, all increase in- (a) Permanent income are saved. (b) Permanent income are consumed. (c) Transitory income are saved. (d) Transitory income are consumed.	CO1
9.	According to the life-cycle hypothesis, consumption is related to- (a) Current income. (b) Past peak income. (c) Expected lifetime income. (d) Price expectations over one's lifetime.	CO1
10.	Frictional unemployment exists- (a) When there is a decrease in real GDP. (b) Because it takes time to find a job when one is first entering the labour force. (c) As a result of technological change. (d) When an individual retires.	CO1

Section-B

[4*5=20]

Attempt all the questions.

Q.No.	Questions	CO
11.	GDP is misleading measure of material well being. Is this true? How?	CO2
12.	What is the difference between a final goods and an intermediate good? How would the inclusion of intermediate goods overestimate GNP?	CO2
13.	Suppose consumption function of an economy is given as; $C = a + bY$. Derive saving function for the economy.	CO2
14.	What is meant by disguised unemployment? How can the problem of disguised unemployment in developing countries be solved?	CO2

Section-C

[3*10=30]

Attempt any three questions.

Q.No.	Questions	CO
15.	Inflation may originate because of cost-push but it cannot be sustained for long unless it is supported by demand-pull inflation. Explain it.	CO3
16.	What do you mean by multiplier? Why its value should always lie between	CO3

	0 and 1 ($1 > k < 0$).	
17.	Explain how Keynes showed that if all people in a society decide to save more, they may actually fail to do so.	CO3
18.	A general cut in wages will merely cause reduction in employment and will not in itself remove unemployment. Discuss.	CO3

Section-D **[2*15=30]**
Attempt any two question.

Q.No.	Questions	CO
19.	According to the life cycle hypothesis, while the young tend to borrow, working people save and retirees live off their savings. If so, what impact will the changing age structure towards older people of the Indian population have on aggregate saving rate in the country? What will the impact be of the increase in the retirement age?	CO4
20.	What is meant by wage-price flexibility? How does classical full-employment model show that in a free enterprises competitive economic system flexibility of wages and prices always ensure full employment?	CO3
21.	Which of the following situations correspond to cyclical unemployment, structural unemployment, frictional unemployment and exit from the labour force, and why? (a) Some of your friends just graduated from college and have been looking for jobs for the past five weeks. (b) Jaya lost her job as a biologist at a bio-tech company when the whole industry went into recession. (c) Mukesh, who used to be a taxi driver, stopped looking for a job three months after he lost his job. (d) Suresh has been working as a craftsman making cotton dolls. Now all kids want plastic dolls, and Suresh has been out of a job for the past six months. (e) Aditi, a high-tech engineer, just decided to quit her job in a start-up in Bangalore; she's being interviewed for a better-paid job in a multinational company.	CO4