

Enrolment No.-----



UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Term Examination, Dec 2019

Programme: BA (Hon) Energy Economics
Subject : Macroeconomics I
Subject code: Econ 1003

Semester I
M.Marks: 100
Duration: 3 Hrs

Instructions :

- a) There are four sections. All sections are Compulsory.
- b) Use hypothetical examples and graphs wherever necessary.

Section A

True and False:(5×2)

1. With the introduction of the role of government , the multiplier decreases. (CO1)
2. With the introduction of ATM in banking, the demand for money increased. (CO1)
3. With the increase of fractional reserve ratio, the potential supply of money decreases.(CO1)
4. GNP deflator measures the cost of basket of commodities and services consumed by a rural consumer. (CO1)
5. The transfer payment is a leakage. (CO1)

Section B. Short-Questions: Attempt all questions (5×6)

1. Speculative Demand for money (CO1)
2. M2 (CO1)
3. Cost-Push inflation (CO1)
4. Multiplier in the presence of government (CO1)
5. Leakages (CO1)

Section C. Analytical Questions (3×10)

1. Calculate the effect on net income if tax rate (t) is reduced from 0.2 to 0.1 and Transfer Payment (R) is decreased by Rs. 100. The other information is given below.
C= 0.5, Y= 1000 (CO2,3)

2. Assume yourself as a manager of a company. You have been assigned a task of preparing a report for opening a business in one of the countries of African Continent. Which factors would you consider before finalizing the country for your investment? Critically analyze (CO1, 2,3)
3. Critically explain the role of fractional reserve banking in creating the money. How is the supply of money regulated in the economy ? Analyze (CO1,3)

Section D. Long-question: Compulsory(2×15)

1. 'Indian farmers enjoys the bonanza at the time of natural calamities, which destroy almost half of their crops.' Critically discuss this paradoxical statement and if it is true, why they do not resort to same tactics in normal times by voluntarily destroying their crops. Critically discuss. Also suggest your suggestions to correct the farm distress. (CO2,3,4)