

Avinashilingam Institute for Home Science and Higher Education for Women
Coimbatore-641 043
Continuous Internal Assessment Test-II October, 2025.

Class: II UG
Major: Economics

Time: 2 hours
Maximum Marks: 60

Semester-III
23BECC05- Macro Economic Theory-I

Course Outcomes:

- CO1:** Know the functioning and linkages of different sectors and their contribution to national income
CO2: Understand the theories in Macro Economics from Classical and Keynesian perspective
CO3: Evaluate the relevance of classical and Keynesian theories to Indian conditions
CO4: Comprehend the various determinants of macroeconomic variables
CO5: Apply the various principles of macroeconomics for setting goals and policies

Part-A

Circle the Correct Answer

1. Which of the following is the largest component of aggregate demand? **6X1=6**
a) Household consumption b) Government Spending c) Investment d) Net Exports **CO2:K3**
2. The aggregate supply curve is **CO4:K2**
a) Upward sloping b) Downward sloping c) A vertical line d) A horizontal line
3. Effective Demand in a Keynesian framework occurs when: **CO3:K4**
a) Aggregate Demand= Aggregate Supply b) Demand for Money=Supply of Money
c) Savings=Supply d) Savings=Demand
4. A key characteristic of the Keynesian consumption function is that the MPC is: **CO5:K3**
a) Greater than one b) Equal to one c) Less than one d) Zero
5. An increase in the MPC would cause the consumption function to: **CO3:K2**
a) Become Steeper b) Become Flatter c) Shift Upward d) Shift Downward
6. According to Keynes theory , which is the primary factor determining consumption? **CO2:K3**
a) Current level of Income b) Changes in Price Level c) Savings d) rate of interest

Part-B

Answer should not exceed 200 words or two pages

- 7a) Explain Say's law of market assumptions. **3X6=18**
(or) **CO1:K3**
- 7b) Evaluate the nature of flexibility of wages. **CO2:K4**
- 8a) Give the determinants of effective demand. **CO3:K3**
(or)
- 8b) Appraise the different components of keyne's general theory of employment. **CO4:K3**
- 9a) How does the interest rate and price is determined? **CO4:K5**
(or)
- 9b) Give the assumptions of consumption function. **CO5:K4**

Part -C

Answer should not exceed 600 words or three pages

- 10a) Analyse the classical theory of employment. **3X12=36**
(or) **CO3:K5**
- 10b) Critically evaluate the Keynes theory of employment. **CO2:K4**
- 11a) Assess the determination of effective demand. **CO1:K2**
(or)
- 11b) Explain the properties of consumption function. **CO4:K3**
- 12a) Examine the Keynes psychological law of consumption. **CO2:K4**
(or)
- 12b) Evaluate intersection of AS and AD function determines the equilibrium level of output and unemployment. **CO3:K3**

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