



Avinashilingam Institute for Home Science and Higher Education for Women
(Deemed to be University under Category 'A' by MHRD, Estd. u/s 3 of UGC Act 1956)
Re-accredited with 'A+' Grade by NAAC. Recognised by UGC Under Section 12B
Coimbatore - 641 043, Tamil Nadu, India

Bachelor's Degree Supplementary Examination – June/July 2021
II Semester

Class : 2018 Batch
Major : Economics

Time : 3 Hours
Max.Marks : 100

18BECC05- Macro Economics-II

Course Outcomes:

1. Develop knowledge about the concepts in consumption and investment.
2. Identify the various approaches in explaining theories of consumption.
3. Understand the theories of investment behaviour
4. Assess and evaluate the macroeconomic goals and policies.
5. Evaluate the effectiveness of monetary and fiscal policy in explaining general equilibrium

Part-A

10X1=10

Answer all Questions
Choose the correct answer

1. Keynes has postulated that aggregate consumption is a function of CO2 K1
 - a. Propensity to consume
 - b. past peak income
 - c. Aggregate current disposable income
 - d. permanent income
2. C/ Y is CO1K1
 - a. autonomous consumption
 - b. APC
 - c. MPC
 - d. induced wealth
3. 'W' in Friedman hypothesis refers to CO1K2
 - a. permanent income
 - b. non-human wealth
 - c. wealth
 - d. asset holdings
4. If the consumption schedule is straight line passing through the origin, then CO3 K2
 - a. MPC > APC
 - b MPC < APC
 - c. MPC = APC
 - d. MPC ≠ APC
5. Induced investment is CO2 K3
 - a. income inelastic
 - b.income elastic
 - c. interest elastic
 - d. none of these
6. MEC and stock of capital are related CO4 K3
 - a. negatively
 - b. positively
 - c. sometimes positively
 - d . Uncertain
7. The expected rate of return over cost of a new capital good is CO3 K4
 - a. MEI
 - b. MEC
 - c. MPC
 - d. AEI
8. The combined effect of the multiplier and the accelerator is called CO3 K4
 - a. leverage effect
 - b. Business cycle
 - c. Leakages
 - d. Injections
9. Which of the following is not an objective of macroeconomic policy CO1 K5
 - a. Price stability
 - b. Balance of payment
 - c. Economic growth
 - d. Reduction in export

10. Fiscal policy refers to CO4K5
- a. open market operation b. change in the reserve requirements
- c taxation and government expenditure d. change in bank rate

Part-B

(5X6= 30)

Answer all the questions

Each answer should not exceed 400 words or one page

- 11a. Explain the theory of absolute income hypothesis CO1K2
(or)
- 11b. Explain the simple investment multiplier CO1K1
- 12a. Examine the theory of relative income hypothesis? CO2K2
(or)
- 12b. What are the assumptions of multiplier CO2K2
- 13a. Explain induced investment function CO1K3
(or)
- 13b. Differentiate between MEC and MEI CO3K3
- 14a. Describe the different phases of trade cycles CO1K4
(or)
- 14b Discuss acceleration principle CO4K4
- 15a. Write about the properties of IS- LM curves? CO1K5
(or)
- 15b. Bring out the changes in IS and LM curves CO2K5

Part- C

5X12=60

Answer all the questions

Answer should not exceed 800 words

- 16a. Critically examine the life cycle hypothesis CO2K1
(or)
- 16b. Analyse the permanent income hypothesis of consumption function CO4K1
- 17a. Discuss the working of Multiplier. CO4K2
(or)
- 17b. Explain the concept of super multiplier and describe its working in an open economy. CO4K2
- 18a. Discuss the determinants of investment function. CO4K3
(or)
- 18b. Describe the exogenous and endogenous factors that bring about a shift in investment function CO4K3
- 19a. Critically examine the accelerator theory of investment CO4K4
(or)
- 19b. Discuss profit theory of investment CO4K4
- 20a. Analyse IS and LM framework to explain the joint determination of level of income and the rate of interest CO2K5
(or)
- 20b. Examine the principle objectives of macroeconomic policy CO2K5
