

College Name: _____

Student Name: _____ Seat No: _____

Copy No: _____

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION, JUNE 2017; AFFILIATED COLLEGES
MACRO ECONOMICS; BA (H)-302
BS-II

Date: June 17, 2017

Max Time: 100 Mins

Max Marks: 40

INSTRUCTIONS:

- 1. Attempt any 4 questions. Do not write anything on the question paper.**
- 2. Mobile phones or any other communicating device will not be allowed in the examination room. Students will have to remove the batteries of these devices before entering the examination hall.**

- Q2 a) Explain the three reasons given for the downward slope of the aggregate demand curve.
b) List the factors that might cause a change in aggregate demand.
- Q3 a) Briefly Describe the factors that can contribute to a country's Current Account deficit.
b) What does a Current account deficit do that is positive for a nation?
- Q4 a) Define the budget deficit. Explain briefly how a government can finance its deficit.
b) Explain the crowding out effect by considering the impact of an increase in government spending on the money market and on the goods market.
- Q5 Use the IS-LM model to analyze the effects of a simultaneous increase in public spending and a increase in taxes on the economy. What will happen to GDP, interest rates, investment and consumption?
- Q6 Explain how monetary policy is expected to affect investment and aggregate demand.

END OF SUBJECTIVE PAPER