

College Name: _____

Seat No: _____ Student's Name: _____

Copy No: _____

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION DECEMBER 2017; AFFILIATED COLLEGES
MACROECONOMICS; BA (H)-302
BBA – II

Date: December 30, 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 Explain the difference between expansionary and contractionary fiscal policy. When would the government use expansionary and contractionary fiscal policy?
- Q3 How are monetary tools used to control unemployment and inflation?
- Q4 Explain with example the difference between economic development and economic growth.
- Q5 a) Why are the imports subtracted when GDP is calculated in expenditure approach?
b) What is GDP deflator and how does it differ from the consumer price index?
- Q6 a) Why is the aggregate demand curve slopes downward?
b) Why is the AS curve upward sloping in the short-run & vertical in long run?
- Q7 Suppose that the economy is characterized by the following structural equations:
$$C = 160 + 0.6 (Y - T)$$
$$I = 150; G = 150; T = 100.$$
Where C is Consumption: I is Investment: G is Government Expenditure: and T is Tax
a) Determine the equilibrium output level.
b) If G rises to 200, what is the how equilibrium level of output? What is the value of the govt. expenditure multiplier?
c) If tax falls to 50, by how much will equilibrium output rise? What is the value of tax multiplier?

END OF SUBJECTIVE PAPER