

2023

COMMERCE

Paper : CC-102

[Macroeconomics and Business Environment (MEBE)]

Full Marks : 40

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own words
as far as practicable.*

Module - I

Answer *any two* questions.

1. (a) Let a consumption function is given by $C = 100 + 0.8Y$ where C and Y have their usual meanings. Show that $MPC < APC$.
(b) "A rise in personal savings may lead to a fall in national income and equilibrium savings."— Justify the statement.
(c) Derive government expenditure multiplier in a Simple Keynesian Model when tax is lumpsum. 2+5+3
2. (a) Illustrate the Mundell-Fleming model under the regime of fixed exchange rate and perfect capital mobility with suitable diagram.
(b) Show that fiscal policy is more effective than monetary policy under the aforementioned regime. 6+4
3. (a) Define LM Curve for a closed economy.
(b) Derive the slope of the LM Curve.
(c) What happens to the LM Curve when Money Demand is completely interest inelastic? 3+3+4
4. (a) Distinguish between (i) GDP and GNP (ii) nominal GNP and real GNP of an economy.
(b) Discuss the circular flow of income in a household firm framework. (2+2)+6

Module - II

Answer *any two* questions.

5. (a) Distinguish between foreign institutional investment and foreign direct investment.
(b) 'Foreign direct investment is an engine of growth'— Explain. 2+8

6. (a) Explain the condition of steady state in Solow Growth model with capital accumulation.
(b) How is the steady state condition changed if there is population growth? 6+4
7. (a) Why is short run Phillips curve negatively sloped?
(b) In this context, show that the long run Phillips curve is vertical. 6+4
8. (a) Compare the IRR and NPV method of capital budgeting.
(b) Which one is a better metric of capital budgeting and why? Explain. 5+5
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