

**BIRLA INSTITUTE OF TECHNOLOGY, MESRA, RANCHI  
(END SEMESTER EXAMINATION)**

**CLASS: IMSc.  
BRANCH: QEDS**

**SEMESTER : IV  
SESSION : SP/2023**

**SUBJECT: ED215 INTERMEDIATE MACROECONOMICS**

**TIME: 3 Hours**

**FULL MARKS: 50**

**INSTRUCTIONS:**

1. The question paper contains 5 questions each of 10 marks and total 50 marks.
  2. Attempt all questions.
  3. The missing data, if any, may be assumed suitably.
  4. Before attempting the question paper, be sure that you have got the correct question paper.
  5. Tables/Data hand book/Graph paper etc. to be supplied to the candidates in the examination hall.
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Q.1(a)	“Savings are good for growth”. Graphically explain this classical perspective.	[5] 1
Q.1(b)	Describe the various motives of money as per Keynes Liquidity preference theory. During Covid-19 pandemic, evaluate what happens to the various motives of money.	[5] 1
Q.2(a)	Using, the two-period model of consumption by Fisher, illustrate what happens to consumption in both periods when there is a borrowing constraint.	[5] 2
Q.2(b)	The transitory income of a person is ( $Y_T$ ) = Rs. 25 (in thousand). The permanent income ( $Y_P$ ) = Rs. 97.4 (in thousand). They consume 67% of her/his permanent income. Calculate (a) Consumption (b) Average Propensity to Consume.	[5] 2
Q.3(a)	Derive the gross investment function. For the rental firm, take $i$ = interest rate, $\delta$ = depreciation rate and $P_K$ = nominal price of capital.	[5] 3
Q.3(b)	Tobin’s $q$ of a firm is 1.17. Comment on the “marginal product of capital” of the firm. If the replacement cost of installed capital is Rs. 17.2 crore. Then, calculate the market value of installed capital.	[5] 3
Q.4(a)	Due to war in Ukraine, Ukrainians withdraw the money from bank and keep it with themselves. Using the money multiplier concept, explain its consequence on money supply.	[5] 4
Q.4(b)	Explain the different instruments of monetary policy of the Central Bank.	[5] 4
Q.5(a)	Consider a version of the Solow growth model in which output at time $t$ is determined by the production function $Y_t = 0.2K_t + 0.8L_t$ . The depreciation rate is $\delta = 0.2$ . Savings rate is $s = 0.5$ . Assume that population $L_t$ is constant. Calculate the steady state capital per person. Also, calculate the steady state output per person and consumption per person.	[5] 5
Q.5(b)	Describe, how Covid-19 pandemic may lead to growth traps for developing economies.	[5] 5

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