

BIRLA INSTITUTE OF TECHNOLOGY, MESRA, RANCHI
(MID SEMESTER EXAMINATION SP2023)

CLASS: IMSc
BRANCH: QEDS

SEMESTER : IV
SESSION : SP2023

SUBJECT: ED215 INTERMEDIATE MACROECONOMICS

TIME: 02 Hours

FULL MARKS: 25

INSTRUCTIONS:

1. The question paper contains 5 questions each of 5 marks and total 25 marks.
2. Attempt all questions.
3. The missing data, if any, may be assumed suitably.
4. Tables/Data handbook/Graph paper etc., if applicable, will be supplied to the candidates

Q.1(a)	Write the two possible ways of clearing goods and services markets. Which way is used by Keynesian Economics and which way is used by Classical Economics?	[2]	CO1	CO	BL
Q.1(b)	Using graph for Say's Law, explain what happens to real wage when population contracts due to a sudden earthquake leading to deaths of many working people.	[3]	CO1		
Q.2(a)	Consider the framework for classical economics. If the government expenditure decreases, then what happens to the interest rate? Explain using a graph.	[2]	CO1		
Q.2(b)	In Keynesian framework, is money neutral? Explain your answer.	[3]	CO1		
Q.3(a)	Describe the absolute income hypothesis.	[2]	CO2		
Q.3(b)	The consumption function is given by: $C = 13.5 + 0.61 Y$. Calculate 1. Autonomous consumption 2. Marginal Propensity to Consume 3. If investment increases by Rs. 45 lakh, what is the change in output? 4. If $Y = Rs. 34.8$ lakh, then what is Average Propensity to Consume?	[3]	CO2		
Q.4(a)	Outline the main concept of Relative Income Hypothesis.	[2]	CO2		
Q.4(b)	Describe the equation for consumption under Life Cycle Hypothesis.	[3]	CO2		
Q.5(a)	In Irving Fischer two period model, with interest rate "r", explain consumption in both periods if r falls.	[2]	CO2		
Q.5(b)	How does the Permanent Income Hypothesis solve the consumption puzzle?	[3]	CO2		

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