Code: 18E00203

MBA (Fintech) II Semester Regular Examinations June 2019

MACRO ECONOMICS

(For students admitted in 2018 only)

Time: 3 hours Max. Marks: 60

All questions carry equal marks

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SECTION – A

(Answer the following: 05 X 10 = 50 Marks)

1 Explain in detail about concepts of National Income.

OR

2 What do you mean by Gross Domestic Product? Explain in detail about the Gross Domestic Product at market price.

3 Discuss in detail about the functions of central bank.

OR

4 How the central bank act as controller of credit? Explain.

5 What do you thing about the monetary policy? Describe in detail about the objectives of monetary policy and credit policy.

OR

6 Discuss in detail about the role of Finance Commission.

7 Describe the major components of Balance of Payments.

OR

8 What are the objectives of EXIM policy? Explain the role of EXIM bank.

9 Enumerate the Equilibrium Income and Interest Rate in the product market.

OR

10 Explain in detail about the Derivation of IS and LM Curve.

SECTION – B

(Compulsory question, 01 X 10 = 10 Marks)

11 **Case Study:**

Some of the largest economic fluctuations in the U.S. economy since 1970 have originated in the oil fields of the Middle East. Crude oil is a key input into the production of many goods and services, and much of the world's oil comes from Saudi Arabia, Kuwait and other Middle Eastern countries. When some event (usually political in origin) reduces the supply of crude oil flowing from this region, the price of oil rises around the world. U.S. firms that produce gasoline, tires, and many other products experience rising costs, and they find it less profitable to supply their output of goods and services at any given price level. The first episode of this sort occurred in the mid-1970s. The countries with large oil reserves got together as members of OPEC (the Organization of Petroleum Exporting Countries). OPEC reduced production and oil approximately doubled in price from 1973 to 1975.

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Almost the same thing happened a few years later. In the late 1970s, the OPEC countries again restricted the supply of oil to raise the price. From 1978 to 1981, the price of oil more than doubled. In 1986, squabbling broke out among members of OPEC. Member countries reneged on their agreements to restrict oil production. In the world market for crude oil, prices fell by a half. This fall in oil prices reduced costs to U.S. firms. In recent years, the world market for oil has not been as important a source of economic fluctuations. Part of the reason is that conservation efforts and changes in technology have reduced the economy's dependence on oil.

Questions:

(a) Explain the short-run and long-run impacts of oil price increase on output and price level in the U.S. during 1973-1975 periods using the model of aggregate demand and aggregate supply.

(b) Explain the short-run and long-run impacts of oil price fall on output and price level in the U.S. in 1986, using the model of aggregate demand and aggregate supply.

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