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JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT

TEST -3 EXAMINATIONS- 2026

BBA II Semester

COURSE CODE (CREDITS): 23BB1HS212 (4) MAX MARKS: 35

COURSE NAME: MACROECONOMICS

COURSE INSTRUCTOR: ASA MAX. TIME: 2 Hours

Note: *(a) All questions are compulsory.*
(b) The candidate is allowed to make Suitable numeric assumptions wherever required for solving problems
(c) Use of calculator is ALLOWED.

<table>
<tr><th>Q.No</th><th>Question</th><th>CO</th><th>Marks</th></tr>
<tr><td>Q1</td><td>In FY 2025–26, India experienced strong growth in software and business service exports, supported by global demand for IT outsourcing. However, rising crude oil prices increased the country's import bill significantly.

The following data are available for India (USD Billion):
<table>
<tr><th>Item</th><th>Amount</th><th>Item</th><th>Amount</th></tr>
<tr><td>Exports of Goods</td><td>$465 Bn</td><td>Net Transfers (Remittances)</td><td>+$128 Bn</td></tr>
<tr><td>Imports of Goods</td><td>$610 Bn</td><td>FDI Inflows</td><td>+$48 Bn</td></tr>
<tr><td>Services Exports</td><td>$355 Bn</td><td>Portfolio Investment Flows</td><td>-$22 Bn</td></tr>
<tr><td>Services Imports</td><td>$190 Bn</td><td>External Commercial Borrowings (ECB)</td><td>+$18 Bn</td></tr>
<tr><td>Net Factor Income</td><td>-$42 Bn</td><td>Errors & Omissions</td><td>-$4 Bn</td></tr>
</table>
a) Calculate the Trade Balance of India.
b) Compute the Current Account Balance.
c) Calculate the Capital & Financial Account Balance.
d) Determine the Overall Balance of Payments position.
e) Interpret the likely impact on India's foreign exchange reserves and exchange rate.</td><td></td><td>1.5x5 = 7.5</td></tr>
<tr><td>Q2</td><td>India has recently experienced rising inflation due to strong consumer demand, rapid digital lending expansion, and increased government expenditure on infrastructure projects.
The following macroeconomic data are available for FY 2025–26:
<table>
<tr><th>Particulars</th><th>Initial Money Supply (M₁)</th><th>Velocity of Money (V₁)</th><th>Real GDP (Y₁)</th><th>Next Year Money Supply (M₂)</th><th>Velocity of Money Expected (V₂)</th><th>Expected Real GDP Growth</th></tr>
<tr><td>Value</td><td>₹180 lakh crore</td><td>5</td><td>₹600 lakh crore</td><td>₹225 lakh crore</td><td>5.2</td><td>4%</td></tr>
</table>
a) Calculate the initial price level in the economy.
b) Estimate next year's real GDP.</td><td></td><td>1.5x5 = 7.5</td></tr>
</table>

	c) Calculate the expected price level next year using the Quantity Theory of Money. **d)** Determine the expected inflation rate. **e)** Interpret whether inflation is mainly driven by monetary expansion or real output growth.		
Q3	The government of a small open economy called Econland is facing an economic slowdown. Industrial production has declined, unemployment has increased, and consumer spending is weak. Econland follows a fixed exchange rate system and allows high international capital mobility. To boost economic activity, the central bank decides to increase the money supply by purchasing government securities from the market. Initially, interest rates in Econland fall below international interest rates. As a result, investors begin moving funds out of Econland to earn higher returns abroad. Soon after, pressure develops on Econland's currency in the foreign exchange market. The central bank intervenes to maintain the fixed exchange rate by selling foreign exchange reserves. **a)** According to the Mundell–Fleming Model, explain what happens to: domestic interest rates and capital flows. **b)** Why does monetary policy become less effective under a fixed exchange rate system with high capital mobility? **c)** Briefly explain the role of capital mobility in determining policy effectiveness in an open economy.		**2x3 = 6**
Q4	What is meant by the crowding-out phenomenon in macroeconomics? Explain how heavy government borrowing can lead to crowding out of private investment.		**4**
Q5	Write Short Notes on (max 50 words) **a)** Gross Domestic Product **b)** Classical Theory of Income **c)** Monetary Policy **d)** ISLM Curves **e)** Money Supply		**2x5 = 10**