

JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY
WAKNAGHAT, SOLAN (H.P.)
Test – 2, April 2017, PhD - HSS

Course Code: 13P1WHS135

Max Time: 1 Hr 30 mins

Course Name: Macroeconomics

Course Credit: 3

Max Marks: 25

Answer all questions. Carrying of mobile phone will be treated as a case of unfair means. Make suitable assumptions, if necessary. All questions are of equal marks.

1. Using the concept of income effect and substitution effect, explain why a temporary increase in real wage increases the amount of labor supplied, but a permanent increase in the real wage may decrease the quantity of labor supplied.
2. What is frictional unemployment? Why is a certain amount of frictional unemployment probably necessary in a well functioning economy?
3. How are the desired consumption and desired saving affected by increase in current income, expected future income and wealth?
4. What is the difference between gross investment and net investment? Can gross investment be positive when net investment is negative?
5. Give two equivalent ways of describing equilibrium in the goods market. Use a diagram to show how goods market equilibrium is attained.

JUIT TEST-2 EXAMINATION APRIL 2017