

**SHIVAJI COLLEGE, UNIVERSITY OF DELHI**  
**DEPARTMENT OF COMMERCE**  
**TEST (Academic Year 2023 – 2024)**

Name of the Course : B.A. (Honours) Semester : 2  
Name of the Paper : Principles of Macroeconomics Faculty Name : Rahul  
Maximum Marks : 12

*Attempt any two questions.*

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**Ques.1)** The economy of Grossmania produces three goods: Widgets, Gizmos, and Thingamajigs. The accompanying table shows the output and prices for years 2006 and 2007.

(6 marks)

	Widgets		Gizmos		Thingamajigs	
Year	Price	Quantity	Price	Quantity	Price	Quantity
2006	\$100	1	\$10	8	\$5	4
2007	\$110	1	\$12	10	\$4	5

(a) Calculate the nominal GDP for: (2 mark)

- i. 2006
- ii. 2007

(b) Compute the percentage of growth in nominal GDP from 2006 to 2007. (1 mark)

(c) Using 2006 as the base year, calculate the real GDP for 2007. (1 mark)

(d) What is the GDP deflator for 2007? What was the inflation rate between 2006 and 2007? (2 marks)

**Ques.2)** Hy Marks buys a one-year government bond on January 1, 2012, for \$500. He receives principal plus interest totalling \$545 on January 1, 2013. Suppose that the CPI is 200 on January 1, 2012, and 214 on January 1, 2013. This increase in prices is more than Hy had anticipated; his guess was that the CPI would be 210 at the beginning of 2013. Find the nominal interest rate, the inflation rate, the real interest rate, Hy's expected inflation rate, and Hy's expected real interest rate? (6 marks)



**Ques.3)** You are given the following information about an economy:

Gross private domestic investment = 40

Government purchases of goods & services = 30

Gross National Product (GNP) = 200

Current Account Balance = -20

Taxes = 60

Government transfer payments to domestic private sector = 25

Interest payments from government to domestic private sector = 15 (Assume all payments go to the domestic household)

Factor income received from the rest of the world = 7

Factor payments made to the rest of the world = 9

Find the following assuming that government investment is zero.

(6 marks)

- i) Consumption
- ii) Net Exports
- iii) GDP
- iv) Net factor payments from abroad
- v) Private Savings
- vi) National Savings

