JAIPURIA INSTITUTE OF MANAGEMENT
LUCKNOW NOIDA JAIPUR INDORE

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

PGDM / PGDM (M) / PGDM (SM)

SECOND TRIMESTER (Batch 2025-27)

END TERM EXAMINATIONS, JANUARY 2026

SET-1

Course Name	Macroeconomics and Economic Environment of Business	Course Code	**20402**
Max. Time	**2 hours**	Max. Marks	**40 MM**

INSTRUCTIONS:

a. **Answer all Questions.**
b. **Based on the requirements use graphs and equations to support your answers**

1. In August, Donald Trump and the United States announced steep tariffs up to 50 percent on goods imported from India, citing strategic and geopolitical concerns. These tariffs, among the highest globally, raised apprehensions about India's export performance, private investment sentiment, employment in export-oriented industries, and overall economic growth, prompting policy responses aimed at supporting domestic demand. Using the circular flow of income framework, analyze how such an adverse external demand shock propagates through households, firms, the government, and the external sector across different phases of the business cycle, highlighting the roles of leakages, injections, and factor incomes. (**10 marks**)

2. Assume the following structure of the economy (₹ crore), with constant prices:
   $C = 300 + 0.80Yd,\ T = 0.02Y;\ \ Yd = Y - T$

   Planned investment is ₹400 and is interest-sensitive, government expenditure is ₹500, exports are ₹300, and imports are ₹500.

   Construct aggregate demand equation for the economy, derive the expression for the expenditure multiplier in a closed economy evaluating how consumption and government expenditure determine equilibrium income in the commodity market. Discuss why the size of the multiplier becomes smaller when part of income leaks out of the domestic circular flow even if the marginal propensity to consume remains unchanged. (**10 marks**)

3. Suppose geopolitical tensions in Venezuela disrupt its crude oil supply, leading to higher international commodity prices that spill over into the Indian economy. Identify the type of inflation most likely to arise in India from this scenario, explain its source of inflationary pressure, and justify why controlling this inflation is essential for sustaining India's long-term economic growth. (**5 marks**)

4. Recent macroeconomic indicators suggest that the Indian economy is experiencing a "Goldilocks moment" characterized by high growth, low inflation, falling unemployment, and improving export performance. Real GDP growth has strengthened, CPI inflation has softened significantly, financial conditions remain

benign, and private consumption has emerged as a key driver of demand. According to the International Monetary Fund, India has also emerged as one of the world's fastest-growing major economies, supported by structural reforms and macroeconomic stability. Analyze how an increase in government expenditure affects the IS curve, explaining the underlying economic intuition. Explain how effective fiscal–monetary policy coordination can reduce crowding-out, strengthen private investment, and enhance macroeconomic stabilization in the Indian economy. (**10 marks**)

5. The Indian economy has recently witnessed a significant depreciation of the domestic currency, with the Indian rupee slipping past the 90 per US dollar mark, reflecting prolonged pressures from changing global financial conditions. Discuss how exchange rate depreciation influences exports and imports of an Indian economy. Highlight its impact on net exports and the short-run effects on aggregate demand. (**5 marks**)