

Seat No. : \_\_\_\_\_

# AB-108

April-2019

B.B.A., Sem.-II

## CC-111 : Principles of Economics (Macro)

Time : 2:30 Hours]

[Max. Marks : 70

1. (A) Write the following :

- (i) What are the difficulties encountered in estimate of National Income ? 7
- (ii) Define Macro Economics. Discuss the importance of it. 7

OR

- (i) Explain the circular flow of income and expenditure in a four sector economy.
- (ii) Discuss the scope of Macro Economics.

(B) MCQs (any four) 4

- (1) Theory of economic growth is scope of macro economics. (True/False)
- (2) National income is a coin with \_\_\_\_\_ sides.  
(a) 1 (b) 2 (c) 3
- (3) National income is a \_\_\_\_\_ concept.  
(a) Neutral (b) Flow (c) Stock
- (4) The term "Macro" is derived from Greek word. (True/False)
- (5) National income at constant prices is also known as real income. (True/False)
- (6) The national income is a money value of all raw material produced in an economy. (True/False)

2. (A) Write the following :

- (i) Explain the concept of liquidity trap with diagram. 7
- (ii) What are the subjective and objective factors affecting the consumption function. 7

OR

- (i) Explain with the diagram the psychological law of consumption given by Keynes.
- (ii) Explain with illustration the concepts of MPC, APC, MPS & APS.

- (B) MCQs (any **four**) 4
- (1) According to Keynes consumption is a function of income. (True/False)
  - (2) Who is the author of the book “The General theory of Employment, Interest & Money” (1936) ?
    - (a) J.S. Mill
    - (b) James Keynes
    - (c) Pigou
  - (3) The formula for investment multiplier is
    - (a)  $\frac{1}{MPC}$
    - (B)  $\frac{1}{MPS}$
    - (c)  $\frac{1}{1 + MPS}$
  - (4) The concept of liquidity preference implies the preference of people to hold wealth in the form of bonds. (True/False)
  - (5) The relationship between MPC & K is inverse. (True/False)
  - (6) If MEC is greater than current rate of interest, investment will fall. (True/False)

3. (A) Answer the following :
- (i) Discuss the primary & secondary functions of money. 7
  - (ii) Discuss the phases of business cycle. 7
- OR**
- (i) What is inflation ? Discuss the causes of inflation.
  - (ii) Discuss the features of business cycle.

- (B) MCQs (any **three**) 3
- (1) Near money earns interest. (True/False)
  - (2) There are 3 phases of business cycle. (True/False)
  - (3) The business cycles are more evident in capitalistic economics. (True/False)
  - (4) Narrow money refers to M3. (True/False)
  - (5) Coins are not pure money. (True/False)

4. (A) Answer the following :
- (i) Discuss the objectives of monetary policy. 7
  - (ii) Explain the tools of fiscal policy. 7
- OR**
- (i) Explain the meaning & structure of balance of payment.
  - (ii) Discuss the objectives of Fiscal policy.

- (B) MCQs (any **three**) 3
- (1) Bank rate is a tool of monetary policy. (True/False)
  - (2) Fiscal Policy is formed by commercial Banks. (True/False)
  - (3) Stagflation means high inflation with high unemployment. (True/False)
  - (4) Creditors gain during inflation. (True/False)
  - (5) Monetary policy is the policy of RBI. (True/False)