

ZL-113

May-2014

B.B.A., Sem.-II

CC-111 : Principles of Economics (Macro)

Time : 3 Hours]

[Max. Marks : 70

- Instructions :** (1) All questions are compulsory.
(2) Marks are written on right hand side.

1. (a) Describe the scope and limitations of Macro Economics. 7

OR

Explain the circular flow of Income in the four sector model.

- (b) Explain conceptual and practical difficulties arising in the calculation of National Income. 7

OR

Explain various methods of calculating National Income.

2. (a) Explain the consumption function in Keynesian theory. 7

OR

Write a note on : Effective Demand.

- (b) Explain Investment Multiplier in detail. 7

OR

Explain the liquidity preference theory of rate of interest determination in Keynesian theory.

3. (a) Explain how commercial banks create money through their lending operations. 7

OR

Define Money. What are the functions of Money ?

- (b) What are causes of Inflation ? What measures are needed to control ? 7

OR

Describe in detail the various phases of Business Cycle.

4. (a) Explain the tools of Monetary Policy. 7

OR

Discuss the role of Fiscal Policy in developing country.

- (b) Describe the structure of Balance of Payments of a country. 7

OR

What are the causes of disequilibrium in the Balance of Payment ?

5. Do as Directed : 14

- (1) Define Money.
- (2) Write any two objectives of Fiscal Policy.
- (3) The slope of consumption curve represents
 - (a) Average Propensity to Consume
 - (b) Marginal Propensity to Consume
 - (c) Average Propensity to Save
 - (d) Marginal Propensity to Save
- (4) By increasing the Reserve Ratio the central bank _____ the money supply.
- (5) The circular flow of National Income refers to
 - (a) Flow of funds from one manufacturing unit to another.
 - (b) Flow of income among the nation.
 - (c) Flow of only goods between the household and business.
 - (d) Flow of Income between the various sectors of the economy
- (6) The difference between GNP and GDP is
 - (a) Net factor income from abroad
 - (b) Depreciation
 - (c) Direct taxes
 - (d) Indirect taxes
- (7) Which of the following is not a macro economics concept ?
 - (a) Aggregate demand
 - (b) Price level
 - (c) Aggregate supply
 - (d) Demand for a product
- (8) As per the Keynesian model the equilibrium level of National Income is
 - (a) Always at full employment level
 - (b) Always below full employment level
 - (c) Not necessary at full employment level
 - (d) None of the above

- (9) Which type of fiscal policy should be pursued by the government during depression ?
- (a) Pump priming
 - (b) Increasing in tax rates
 - (c) Compensatory spending
 - (d) Imposition on new taxes
- (10) Business cycle represent fluctuation in
- (a) Capitalistic economics
 - (b) Mixed economics
 - (c) Command economics
 - (d) Both (a) and (c)
- (11) Distinguish between BOT and BOP in brief.
- (12) According to Keynes, when there is an increase of aggregate investment then national income will increase by an amount which is K (investment multiplier) times the increase in investment. (True/False)
- (13) Keynes postulated that the demand for money is negatively correlated with both income and rate of interest. (True/False)
- (14) Given the supply of money, the increase in demand for money will result into increase in equilibrium rate of interest. (True/False)
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