

Seat No. : 1235

**MH-102**

May -2018

**B.B.A., Sem.-II**

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

[Max. Marks : 70

Time : 3 Hours]

1. (a) What are the problems associated with the measurement of National Income ? 7  
OR  
Define Macro Economics. Discuss the scope of Macro Economics.
- (b) Explain the circular flow of income in the economy with diagram. 7  
OR  
Distinguish between GDP & GNP. Explain product method for measuring GNP.
2. (a) Describe the Psychological law of consumption given by Keynes. 7  
OR  
Write a note on Liquidity preference theory.
- (b) Discuss the determinants of consumption function. 7  
OR  
Discuss the Leakages of investment multiplier.
3. (a) Define money. Explain the functions of money. 7  
OR  
Explain the process of Credit Creation by Commercial Banks.
- (b) Define Inflation. Explain the causes of Inflation. 7  
OR  
Describe the main characteristics of business cycle.
4. (a) Explain the various tools of monetary policy. 7  
OR  
What are the objectives of Fiscal Policy ?
- (b) What does balance of payments mean ? Distinguish between balance of trade and balance of payments. 7  
OR  
What is monetary policy ? Discuss its objectives.

5. Write the correct answer for the following questions :

- (1) Macro Economics helps the Government in formulating & implementing appropriate economic policies. (True/False)
- (2) National income at current prices is also known as \_\_\_\_\_.  
 (a) Nominal National Income  
 (b) Real National Income  
 (c) Correct National Income
- (3) What would you add in GDP so that you obtain GNP ?  
 (a) Taxes  
 (b) Subsidy  
 (c) Net factor income from abroad
- (4) The book "The General Theory of Employment, Interest & Money" was written by \_\_\_\_\_.  
 (a) Adam Smith (b) J.M. Keynes (c) J.B. Say
- (5) Consumption is a function of \_\_\_\_\_.  
 (a)  $Q = \text{Output}$  (b)  $I = \text{Input}$  (c)  $Y = \text{Total Real Income}$
- (6)  $MPC > 1$ , when income is very low for necessities of life. (True/False)
- (7) Investment multiplier is the ratio of change in income to change in investment. (True/False)
- (8) \_\_\_\_\_ is near money.  
 (a) Coins (b) Currency notes (c) Shares
- (9) The concept of liquidity preference implies the preference of people to hold wealth in the form of \_\_\_\_\_.  
 (a) Gold (b) Bonds (c) Cash
- (10) \_\_\_\_\_ is narrow money.  
 (a)  $M_3$  (b)  $M_1$  (c)  $M_4$
- (11) Business cycle represents fluctuations in \_\_\_\_\_.  
 (a) Social (b) Political (c) Economic
- (12) Stagflation represents a situation of \_\_\_\_\_.  
 (a) declining price level and employment level.  
 (b) rising price level & falling employment level.  
 (c) rising price level & rising employment level.
- (13) Deflation represents a situation of \_\_\_\_\_.  
 (a) Declining Price level (b) Rising Price level (c) Constant Price level
- (14) How many phases of business cycle ?  
 (a) 3 (b) 2 (c) 4