

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

**XR-116**

**B.B.A. (Sem.II)**

**April-2013**

**CC 111 : Principles of Economics**

**Time : 3 Hours]**

**[Max. Marks : 70**

1. (a) Explain the limitations of Macro Economics. 7

**OR**

Define Macro Economics. Discuss the scope of Macro Economics.

- (b) Discuss GNP in detail. 7

**OR**

Explain the circular flow of income with diagram.

2. (a) What is Consumption ? Discuss the determinants of consumption expenditure. 7

**OR**

Explain Keynesian Theory of income & employment.

- (b) Describe the leakages of investment multiplier. 7

**OR**

Discuss the Liquidity Preference Theory of Interest.

3. (a) Explain the functions of money. 7

**OR**

Discuss the credit creation process by commercial banks.

- (b) Describe various phases of business cycle. 7

**OR**

What is Inflation ? Explain the main causes of inflation.

4. (a) Explain the tools of monetary policy. 7

**OR**

Discuss the objectives of fiscal policy.

- (b) Explain the meaning and structure of Balance of Payments. 7

**OR**

Discuss the methods of correcting an adverse BOP.

5. Write the correct answer for the following questions (attempt **all**) : 14

- (1) National income at constant prices is known as

- (a) Total income
- (b) Real income
- (c) Per capita income

- (2) The term “Macro Economics” is derived from

- (a) Gujarati word
- (b) French word
- (c) Greek word

- (3) The formula for investment multiplier is  $\frac{1}{MPS}$  . [True/False]

- (4)  $M_1$  refers to

- (a) Currency + Demand deposits
- (b) Total post office deposits
- (c) Coins

- (5) Which formula is true ?

- (a) Per Capita Income = Total National Income  $\times$  Total Population
- (b) Per Capita Income = Total National Income  $\div$  Total Population
- (c) Per Capita Income = Total National Income + Total Population

- (6) Broad money refers to
- (a)  $M_1$
  - (b)  $M_2$
  - (c)  $M_3$
- (7) What happens to value of money during inflation ?
- (a) Falls
  - (b) Rises
  - (c) Constant
- (8) According to Keynes full inflation arises after full employment. [True/False]
- (9) Wave-like changes in business activities are called
- (a) Seasonal cycles
  - (b) Business cycles
  - (c) Hero cycles
- (10) Monetary Policy is implemented by
- (a) RBI
  - (b) Government
  - (c) Co-operative Banks
- (11) Open market operations and variations in the reserve ratio are tools of
- (a) monetary policy
  - (b) fiscal policy
  - (c) trade policy
- (12) Which of the following tool does not belong to fiscal policy ?
- (a) Public expenditure
  - (b) Bank rate policy
  - (c) Public debt

(13) Deliberate decline in external value of currency is called

- (a) deflation
- (b) devaluation
- (c) depression

(14) The formula for credit creation is

(a)  $\frac{\text{Primary deposit}}{\text{CRR}} \times 100$

(b)  $\frac{\text{Primary deposit}}{\text{SLR}} \times 100$

(c)  $\frac{\text{CRR}}{\text{Primary depositions}} \times 100$

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