

Seat No. : _____

MD-229

May-2025

Integrated M.B.A., Sem.-II

MBA (Integrated) in BI, MBA (Integrated) in APR

MDC-MME-124 : Macro & Micro Economics (MME)

Time : 2 Hours]

[Max. Marks : 50

- Instructions :** (1) This paper contains **Five** questions.
(2) **All** questions are compulsory.
(3) Question No. 1, 2, 3, 4 have internal options.
(4) Figures to the right side indicate marks.

1. Why does central problem arise ? Explain the central problems of an economy. **10**

OR

1. What is meant by production possibility curve ? Illustrate with the help of table and diagram. **10**

2. (A) The price of a chocolate bar increases to ₹ 55 from ₹ 50, and as a result, the quantity demanded falls to 180 units from 200 units. Calculate the price elasticity of demand. Is the demand elastic or inelastic ? **5**

- (B) If the price elasticity of demand for a product is -2 , and the firm wants to increase sales by 10%, by what percentage should it change the price ? Indicate whether it's an increase or decrease. **5**

OR

2. Explain with the help of diagrams, the effect of following on demand : **10**

- (i) Rise in income of its buyers
(ii) Rise in the price of substitute goods
(iii) Fall in the price of complementary good
(iv) A popular new health study finds that avocados significantly improve heart health, leading to a surge in consumer preference for avocados.
(v) The population of a city grows rapidly, leading to increased demand for housing in that area.

3. Calculate Gross National Product at Market Price

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ITEMS	₹ (in crores)
Compensation of Employees	2,500
Profit	700
Mixed income	7,500
Government final consumption expenditure	3,000
Rent	400
Interest	350
Net factor income from abroad	50
Net current transfers to abroad	100
Net indirect taxes	150
Fixed consumption expenditure	70
Net exports	40

OR

3. Find the values of 'Government final consumption expenditure' and 'Mixed Income'. 10

ITEMS	₹ (in crores)
National Income (NNP at Factor Cost)	7,100
Government Final Consumption Expenditure	9
Gross Domestic Capital Formation	1,000
Mixed Income	9
Net Indirect Tax	200
NFIA	100
Private Final Consumption Expenditure	4,000
Consumption of fixed capital	300
Profits	120
Wages	1,500
Net Exports	500
Operating Surplus	3,000

4. Explain the concept of AD using a schedule and diagram.

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OR

4. What is meant by propensity to consume ? Explain its different aspects.

10

5. True or False (Any 10) :

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- (1) Microeconomics deals with the study of individual economic units like households and firms.
 - (2) Free goods are scarce and have a price.
 - (3) A mixed economy is characterized by complete government control over all economic activities.
 - (4) The Law of Demand states that as price increases, quantity demanded also increases.
 - (5) Demand depends on factors like price, income, tastes, and preferences.
 - (6) The concept of consumer's surplus is based on the Law of Diminishing Marginal Utility.
 - (7) Macroeconomics deals with the study of large-scale economic variables such as GDP, inflation, and employment.
 - (8) Disposable income is the income left after paying all personal taxes.
 - (9) Circular flow of income in a four-sector economy includes households, firms, government, and rest of the world.
 - (10) Keynes' theory emphasizes saving over investment as the key to employment.
 - (11) The investment multiplier shows how a change in investment leads to a more than proportionate change in income.
 - (12) Liquidity preference theory explains why people demand money based on their need for liquidity.
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