

Seat No. : _____

OD-108

October-2018

B.B.A., Sem.-II

CC-111 : Principles of Economics (Macro)

Time : 2:30 Hours]

[Max. Marks : 70

1. (A) Write the following :
- (i) Define Macro Economics. Discuss the limitations of Macro Economics. 7
 - (ii) Write a note on circular flow of income. 7
- OR**
- (i) Explain the three methods of measuring National Income. 7
 - (ii) Discuss the problems associated with the measurement of National Income. 7
- (B) MCQs : (Any **four**) 4
- (1) The Macro Economics study deals with
 - (a) The level of employment in the economy
 - (b) The general level of prices
 - (c) All of the above
 - (2) Macro Economic theories provide explanation for issues related to
 - (a) Consumer behaviour
 - (b) Firm's behaviour
 - (c) Aggregate economic behaviour
 - (3) The term Macro means
 - (a) Large
 - (b) Small
 - (c) None of the above
 - (4) The National Income is money value of all the
 - (a) Exports done by an economy.
 - (b) Goods produced in the economy.
 - (c) Final goods & services produced in an economy.
 - (5) GDP does not include
 - (a) Depreciation
 - (b) Net factor income from abroad
 - (c) Net exports
 - (6) Which of the following variable is flow variable ?
 - (a) National Income
 - (b) Foreign exchange reserves
 - (c) Unemployment

2. (A) Answer the following :
- (i) Explain the psychological law of consumption as given by Keynes. 7
 - (ii) What is investment multiplier ? Explain the process of income generation through investment multiplier. 7

OR

- (i) Discuss the limitations of investment multiplier. 7
 - (ii) Write a note of marginal efficiency of capital. 7
- (B) MCQs : (Any **four**) 4
- (1) The Keynesian theory of income and employment is basically
 - (a) Short run theory
 - (b) Long run theory
 - (c) None of the above
 - (2) A rise in the Government spending would result into
 - (a) Decrease in aggregate supply
 - (b) Increase in aggregate demand
 - (c) All of the above
 - (3) According to Keynes consumption is function of
 - (a) Interest rate
 - (b) Investment
 - (c) Income
 - (4) The value of investment multiplier depends on
 - (a) MPC
 - (b) APC
 - (c) APS
 - (5) Keynesian theory of multiplier assumes
 - (a) Increasing MPC
 - (b) Decreasing MPC
 - (c) Constant MPC
 - (6) Which of the following is the injection to the multiplier process ?
 - (a) Savings
 - (b) Taxes
 - (c) Investment expenditure

3. (A) Answer the following :
- (i) What are the functions of money ? 7
 - (ii) Describe the process of multiple credit creation by commercial banks. 7

OR

- (i) What is inflation ? How can inflation be controlled ? 7
 - (ii) Discuss the features of business cycle. 7
- (B) MCQs : (Any **three**) 3

- (1) Which of the following is not the near money ?
 - (a) Bonds
 - (b) Coins
 - (c) Time deposits
- (2) Pure Money earns
 - (a) No interest
 - (b) Low interest
 - (c) None of the above
- (3) Which of the following will result into cost push inflation ?
 - (a) Increase MEC
 - (b) Increase in MPC
 - (c) Increase in Wages
- (4) Which of the following will result into demand pull inflation ?
 - (a) Increase in money supply
 - (b) Increase in wages
 - (c) Increase in indirect taxes
- (5) The business cycles are more evident in
 - (a) Capitalistic economies
 - (b) Mixed economies
 - (c) None of the above

4. (A) Answer the following :
- (i) Describe the objectives of monetary policy. 7
 - (ii) Discuss the tools of fiscal policy. 7

OR

- (i) Explain the meaning and structure of balance of payment. 7
- (ii) Discuss objectives of fiscal policy. 7

(B) MCQs : (Any **three**)

3

- (1) Monetary policy is the policy of
 - (a) State Government
 - (b) Central Bank
 - (c) Commercial Bank
- (2) Which of the following is not a tool of monetary policy ?
 - (a) Bank Rate
 - (b) Tariff
 - (c) Open Market Operations
- (3) Fiscal policy is the policy of
 - (a) Central Government
 - (b) Commercial Bank
 - (c) State Government
- (4) Fiscal policy is concerned with _____.
 - (a) Rate of interest determination.
 - (b) Revenue & expenditure of Government.
 - (c) Exchange rate determination.
- (5) Which of the following is not a measure to correct disequilibrium in the BOP ?
 - (a) Deflation
 - (b) Devaluation
 - (c) Imposition of wealth tax
