

Seat No. : _____

AB-108

April-2019

B.B.A., Sem.-II

CC-111 : Principles of Economics
(Macro)

Time : 2:30 Hours]

[Max. Marks : 70

1. (A) Write the following :

- (i) What are the difficulties encountered in estimate of National Income ?
- (ii) Define Macro Economics. Discuss the importance of it. 7

OR

- (i) Explain the circular flow of income and expenditure in a four sector economy.
- (ii) Discuss the scope of Macro Economics.

(B) MCQs (any four)

4

- (1) Theory of economic growth is scope of macro economics. (True/False)
- (2) National income is a coin with ___ sides.
 - (a) 1
 - (b) 2
 - (c) 3
- (3) National income is a _____ concept.
 - (a) Neutral
 - (b) Flow
 - (c) Stock
- (4) The term "Macro" is derived from Greek word. (True/False)
- (5) National income at constant prices is also known as real income. (True/False)
- (6) The national income is a money value of all raw material produced in economy. (True/False)

2. (A) Write the following :

- (i) Explain the concept of liquidity trap with diagram. 7
- (ii) What are the subjective and objective factors affecting the consumption function. 7

OR

- (i) Explain with the diagram the psychological law of consumption given Keynes.
- (ii) Explain with illustration the concepts of MPC, APC, MPS & APS.

- (B) MCQs (any four) 4
- (1) According to Keynes consumption is a function of income. (True/False)
 - (2) Who is the author of the book "The General theory of Employment, Interest & Money" (1936) ?
 - (a) J.S. Mill
 - (b) James Keynes
 - (c) Pigou
 - (3) The formula for investment multiplier is
 - (a) $\frac{1}{MPC}$
 - (B) $\frac{1}{MPS}$
 - (c) $\frac{1}{1 + MPS}$
 - (4) The concept of liquidity preference implies the preference of people to hold wealth in the form of bonds. (True/False)
 - (5) The relationship between MPC & K is inverse. (True/False)
 - (6) If MEC is greater than current rate of interest investment will fall. (True/False)
3. (A) Answer the following :
- (i) Discuss the primary & secondary functions of money. 7
 - (ii) Discuss the phases of business cycle. 7
- OR
- (i) What is inflation ? Discuss the causes of inflation.
 - (ii) Discuss the features of business cycle.
- (B) MCQs (any three) 3
- (1) Near money earns interest. (True/False)
 - (2) There are 3 phases of business cycle. (True/False)
 - (3) The business cycles are more evident in capitalistic economics. (True/False)
 - (4) Narrow money refers to M3. (True/False)
 - (5) Coins are not pure money. (True/False)
4. (A) Answer the following :
- (i) Discuss the objectives of monetary policy. 7
 - (ii) Explain the tools of fiscal policy. 7
- OR
- (i) Explain the meaning & structure of balance of payment.
 - (ii) Discuss the objectives of Fiscal policy.
- (B) MCQs (any three) 3
- (1) Bank rate is a tool of monetary policy. (True/False)
 - (2) Fiscal Policy is formed by commercial Banks. (True/False)
 - (3) Stagflation means high inflation with high unemployment. (True/False)
 - (4) Creditors gain during inflation. (True/False)
 - (5) Monetary policy is the policy of RBI. (True/False)