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Sardar Patel University

Vallabh Vidya Nagar – 388 120

FYBBA Examination (CBCS)

2nd Semester

UM02CBBA03/ Macro Economics

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Date: 25th April 2011

Total Marks: 60

Time: 4.00 pm to 6.00 pm

Note: All the questions are compulsory.

Draw diagrams and cite examples wherever necessary.

Figures to the right indicate marks.

Q.1 Fill in the blanks using the appropriate words given in the bracket. (05)

- A) i) _____ (Consumption, Production) Possibility Curve has been a very popular way of describing the problems of what to produce and how to produce.
- ii) Disposable Income = Consumption + _____ (Taxes, Savings).
- iii) _____ (Socialism, Capitalism) implies equality of incomes and equality of opportunity for all.
- iv) _____ (Government, Private) Sector occupies a position of strategic importance in the circular flow of National Income.
- v) Net National Product is also called national income at _____ (market prices, factor cost).

B) What are the basic problems of an Economy? (10)

OR

Q.1 Fill in the blanks using the appropriate words given in the bracket. (05)

- A) i) The problem of how to produce means with what combination of _____ (raw material, resources) a society decides to produce goods.
- ii) If there is economic growth the Production Possibility Curve shifts _____ (inward, outward).
- iii) National Income or National Income at Market Factor cost is equal to Net National Product minus Indirect taxes plus _____ (subsidies, depreciation).

- iv) _____ (Socialism, Capitalism) is a system of economic organization featured by the private ownership and the use for private profit of man-made and nature made capital.
- v) Capitalism, socialism and Mixed Economic system are the forms of _____ (political, Economic) Systems.

B) Define National Income and discuss various methods of measuring National Income. (10)

Q.2 Do as directed. (05)

- A) i) Consumption function can be explained with the help of Average Propensity to Consume and Marginal Propensity to _____ (Consume, Save)
- ii) Saving is defined as that part of income which is not consumed. (True/False)
- iii) When Average Propensity to Consume decreases Average Propensity to Save decreases. (True/False)
- iv) The Investment multiplier expresses a relationship between an initial investment and the final increment in aggregate _____ (saving, income).
- v) Keynes has derived an inverse relationship between rate of interest and demand for speculative money. (True/False)

B) Explain the liquidity preference theory of interest. (10)

OR

Q.2 Do as directed. (05)

- A) i) How much consumption rises in response to a given increase in the income, depends upon the propensity to consume or consumption function. (True/False)
- ii) The multiplier is the ratio of change in income to the change in _____ (investment, saving).
- iii) _____ (Accelerator, Multiplier) is important for the formulation of economic policies to counter act business cycle.
- iv) Under Transactions Motive people demand money to meet day to day expenditure. (True/False)
- v) There is an inverse relationship between the price of bonds and rate of interest. (True/False)

B) Discuss the concept of consumption function. (10)

Q.3 Do as directed.

- A)**
- i) Money is a matter of functions four A medium, a measure, a standard and a store.(True/False)
 - ii) _____(Importance, Values) of different commodities can be expressed through money.
 - iii) Money is the _____(Standard, Criteria) of Deferred Payments
 - iv) National income can be distributed to different factors of production by making payments to them in real terms.(True/False)
 - v) Measurement of national income is not possible in a monetary system.(True/False)

B) Write a note on Balance of Payments and Balance of Trade. (05)

C) What are the instruments of General credit control method of Central Bank's monetary policy? (05)

OR

Q.3 Do as directed. (05)

- A)**
- i) Money is the most important _____(solid, liquid) asset.
 - ii) Balance of _____(Trade, Payments) is a systematic and summary record of a country's economic and financial transactions with the rest of the world over a period of time.
 - iii) The Current Account of Balance of Payments includes all transactions which give rise to or use up national income.(True/False)
 - iv) Invisible exports, i.e., sales of services, are debit entries. (True/False)
 - v) _____(Keynes, Crowther) defines money as "anything that is generally acceptable as a means of exchange, and at the same time acts as a measure and store of value."

B) Examine the concept of rate of exchange. (05)

C) Discuss Milton Friedman's Restatement of Quantity Theory of Money. (05)

Q.4 Do as directed. (05)

- A)**
- i) Recovery signifies a movement of the lower turning point of the cycle from depression to Prosperity. (True/False)
 - ii) Capital accumulation hinders the _____(consumption, saving) potential in the economy.

iii) During inflation resources are shifted towards the production of essential goods.(True/False)

iv) Inflation benefits rich class.(True/False)

v) _____ (Direct, Indirect) taxes are equitable because they are based on the Principles of Progression.

B) What is Cost Push Inflation? (05)

C) Write a note on Philips Curve. (05)

OR

Q.4 Do as directed. (05)

A) i) Inflation disrupts the working of _____ (price, political) system.

ii) Inflation creates _____ (buyers, sellers) market.

iii) The income of government from taxes increase with the increase in the income of people.(True/False)

iv) Surplus budget is collecting more revenue in the economy.(True/False)

v) The most fearsome phase of business is _____ (recession, depression).

B) Explain the merits and demerits of direct taxes. (05)

C) Write a note on methods of debt redemption. (05)
