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SARDAR PATEL UNIVERSITY
F.Y.B.B.A.(F.T.) (CBCS SEM-II) EXAMINATION 2011
Monday, 25th April, 2011;
4.00 pm to 6.00 pm
UM02CBBF03; MACRO ECONOMICS

Note:- (i) Answers of all the questions (including multiple choice questions) should
be written in the provided answer book only;
(ii) Figures to the right indicate full marks of the question;

Maximum marks 60

Q:1 (A) Fill in the blanks using one of the options given in the brackets. *(05)*

(1) _____ represents a functional relationship between consumption
expenditure and real income.
(saving function, consumption function, investment function)

(2) _____ may be defined as the ratio of increase in consumption
expenditure to increase in income.
(APC, MPC, MPS)

(3) In the equilibrium situation, aggregate demand will be _____ the
aggregate supply.
(equal to, more than, less than)

(4) The difference of 1-MPC is called as _____.
(MPS, APS, MPC)

(5) Keynesian economic analysis is given for _____ period.
(long, short, normal)

**(B) What is effective demand? Discuss Keynes' principle of effective
demand.** *(10)*

OR

Q:1 (A) Fill in the blanks using one of the options given in the brackets. *(05)*

(1) Keynesian economics is a _____ analysis.
(macro-economics, micro-economics, micro-cum-macro-economics)

(2) Marginal Propensity to Save (MPS) is defined as _____.
(C/Y, S/Y, $\Delta S/\Delta Y$, $\Delta C/\Delta Y$)

(3) Marginal property to consume (MPC) and investment multiplier are
_____ related.
(directly, inversely, none)

(4) _____ shows the ratio of change in income to change in investment.
(Multiplier, Acceleration, Consumption function)

(5) If the value of Marginal Propensity to Consume is ½, then the multiplier
co-efficient will be _____.
(3, 2, 0, ∞)

**(B) What is investment multiplier? Discuss the concept of investment
multiplier with the help of example and diagram.** *(10)*

Q:2 (A) Choose the correct option of all objective questions given below. *(05)*

(1) The difference between gross domestic product and net domestic product equals
(a) transfer payments
(b) depreciation
(c) indirect taxes
(d) subsidies

(2) National Income at factor cost is measured as
(a) NNP – Direct taxes – subsidies
(b) GNP – Indirect taxes + subsidies
(c) NNP – Indirect taxes + subsidies
(d) NNP + direct taxes – subsidies

(3) The value of total output of finished goods and services of a country in a year without adding net factor income received from abroad is defined as
(a) Net National Income
(b) Gross National Income
(c) Gross Domestic Product
(d) National Output at Factor Cost

(4) Which of the following items is excluded in measuring GNP to avoid double counting?
(a) Capital Consumption
(b) Value of Intermediary Goods
(c) Depreciation of Final Goods
(d) Taxes

(5) National income, ordinarily, means
(a) GNP at market prices
(b) NNP at market prices
(c) GNP at factor cost
(d) NNP at factor cost

(B) Explain the methods of measurement of National Income. *(10)*

OR

Q.2: (A) Fill in the blanks using one of the options given in the bracket. *(05)*

(1) National income is a _____. (flow, stock, fund).

(2) Gross National Product – Depreciation = _____.
(Net National Product, Gross Domestic Product, Net Domestic Product)

(3) While compiling GNP figure, we take into account only _____ goods and services.
(intermediary, final, both)

(4) $\dfrac{\text{National Income}}{\text{Size of Population}} =$ _____.
(Personal income, Per Capita Income, Disposable Income)

(5) National income does not include _____.
(services of an actor, profit of a firm, transfer payment)

(B) Discuss the difficulties in the measurement of National Income. *(10)*

Q.3: (A) Fill in the blanks using one of the options given in the bracket. *(05)*

(1) _____ is a systematic record of visible transactions only between one country and rest of the world in a year.
(Balance of trade, Balance of payment, Budget)

(2) Long run deficit of balance of payment of a country should be resorted by _____. (devaluation of its currency, inflation, foreign loans)

(3) Let X = Export and M = Import. Then _____ equation refers to the deficit in balance of trade. (X = M, X > M, X < M)

(4) Trade between two countries take place on account of _____. (scarcity of goods, need for exports, comparative differences in cost)

(5) Marginal Propensity to import and foreign trade multiplier is _____ related. (directly, inversely, not)

(B) Discuss the causes of disequilibrium in Balance of Payment. *(05)*

(C) Write note on Foreign Trade Multiplier. *(05)*

OR

Q.3: (A) Fill in the blanks using one of the options given in the bracket. *(05)*

(1) In balance of payment accounts, all goods exported and imported are recorded in _____ account. (capital, invisible, current)

(2) The theory of comparative cost was found by _____
(Prof. Keynes, J. S. Mill, David Recardo)

(3) The external value of a country's currency with respect to foreign currency is called as _____.
(rate of interest, rate of exchange, rate of investment)

(4) A reduction in the external value of rupee by a deliberated act of the Government of India will be called as _____ of rupee.
(devaluation, depreciation, deflation)

(5) The ratio of increase in national income to increase in exports is called as _____ multiplier. (investment, foreign trade, money)

(B) Write note on the theory of comparative cost advantage of international trade. *(05)*

(C) Distinguish between Balance of Trade and Balance of Payment. *(05)*

Q.4: (A) Fill in the blanks using one of the options given in the bracket. *(05)*

(1) _____ is not a source of direct tax revenue.
(Custom duty, Income tax, Wealth tax)

(2) If yield from income tax increases as national income increases, it will be called _____. (progressive tax, regressive tax, digressive tax)

(3) When budgetary deficit is met by the government through borrowing from the central bank, it is called as _____.
(deficit financing, deficit in budget, public debt)

(4) _____ describes the estimated receipt and proposed expenditure and disbursement under various heads. (Budget, Deficit finance, Debt)

(5) _____ is not the method of debt redemption.
(Sinking fund, Capital levy, Repudiation)

(B) Write short note on "Internal Debt" and "External Debt". *(05)*

(C) Distinguish between "Direct Taxes" and "Indirect Taxes". *(05)*

③

Q.4: (A) **Fill in the blanks using one of the options given in the bracket.** *(05)*

(1) _____ is the difference between total receipt and total expenditure.
(Revenue deficit, Budget deficit, Capital deficit)

(2) _____ is not a source of direct tax.
(Income tax, Wealth tax, Sales tax)

(3) _____ is related to the financing of the state activities.
(Public finance, Bank, Currency)

(4) Deficit financing is harmful when it is used _____.
(unproductively, in financing war, in development activities)

(5) External debt is _____ harmful than Internal debt. (more, less, not)

(B) **Discuss the causes of public debt.** *(05)*

(C) **Discuss the safe limit of deficit financing.** *(05)*

***** THE END *****