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SARDAR PATEL UNIVERSITY  
F.Y.B.B.A (ITM) (II Semester) Examination  
25<sup>th</sup> April-2011, Monday  
4:00 p.m to 6:00 p.m  
Um-02-CBBI-03/ Macro Economics  
" " 09

Total Marks: 60

Note: Answer of all questions (Including multiple choice questions) should be written in the provided answer book only.

Q-1 (A) Write down the correct answers from the following alternatives [05]

- (1) \_\_\_\_\_ is a co-existence of public and private in the economic system.  
(a) Planned Economy (b) Free Market economy  
(c) Mixed Economy (d) All the above
- (2) \_\_\_\_\_ is that economic system in which market forces are allowed to open freely and government interference in the economy is the most minimum.  
(a) Planned Economy (b) Free Market economy  
(c) Mixed Economy (d) All above
- (3) Which of the following is considered as basic problems of economics?  
(a) What to produce? (b) How to produce?  
(c) For whom to produce? (d) All the above
- (4) Demand for intermediary consumption arises in.  
(a) consumer households (b) Government enterprises only  
(c) Corporate enterprises only (d) All producing sector of an economy
- (5) Which of the following is in correct?  
(a) GDP at market price = GDP at factor cost + indirect taxes  
(b) NNP at factor cost = NNP at market price - indirect taxes  
(c) GNP at market price = GDP at market price + Net factor income from abroad.  
(d) None of the above

(B) Define National Income and explain various methods of measuring National Income. [10]

OR

Q-1 (A) Write down the correct answers from the following alternatives [05]

- (1) The net value added method of measuring national income is also known as.  
(a) Net output method  
(b) Production method  
(c) Industry of origin method  
(d) All of the above
- (2) Transfer payment refers to payments which are made.  
(a) Without any exchange of goods and services  
(b) To work on transfer from one job to another.  
(c) As compensation to employee.  
(d) None of the above.
- (3) Net value added is equal to.  
(a) Payments accruing to factors of production.  
(b) Consumption of employee.  
(c) Wages plus rent.  
(d) Value of output minus depreciation.
- (4) While compiling GNP figure, we take into account only \_\_\_\_\_ goods and services.  
(a) Intermediary (b) Final (c) Both (d) None of them
- (5) From the given below, which difficulties are considered under the conceptual difficulties.  
(a) Imputed value  
(b) Different practices  
(c) Problem of double counting.  
(d) All the above.

(B) What is an economy? What is Basic Problem of an Economy? [10]

- Q-2 (A) Write down the correct answers from the following alternatives** [05]
- (1) \_\_\_\_\_ is a schedule of various amounts of money which the entrepreneurs in an economy must receive from the sale of their output at varying level of employment.  
(a) Aggregate demand price (b) Aggregate supply price.  
(c) Both of them (d) None of them
  - (2) \_\_\_\_\_ Motives refer to the desire of the people to hold cash balances to meet unforeseen expenses.  
(a) The transaction motive (b) The Precautionary motive  
(c) The speculative motive (d) All the above
  - (3) \_\_\_\_\_ Function refers to the whole schedule of consumption expenditure out of various income levels.  
(a) Consumption function (b) Investment function  
(c) Both (d) None of them
  - (4) \_\_\_\_\_ is a functional relationship between consumption expenditure and real income.  
(a) Consumption function (b) Investment function  
(c) Both (d) None of them
  - (5) APC is defined as.  
(a) Average propensity to consume (b) All propensities to consume  
(c) Both (d) None of all
- (B) Explain the theory of income and employment.** [10]

**OR**

- Q-2 (A) Write down the correct answers from the following alternatives** [05]
- (1) \_\_\_\_\_ may be defined as the ratio between consumption and income.  
(a) APC (b) MPC  
(c) Both (d) All the above
  - (2) According to Keynes, the desire to liquidity exists because of  
(a) The transaction motive (b) The Precautionary motive  
(c) The speculative motive (d) All the above
  - (3) \_\_\_\_\_ Motive refers to the demand for money or the need for cash to meet the current transactions of the individual and business firm.  
(a) The transaction motive (b) The Precautionary motive  
(c) The speculative motive (d) All the above
  - (4) \_\_\_\_\_ may be defined as the ratio of increase in consumption expenditure to increase in income.  
(a) APC (b) MPC  
(c) Both (d) All the above
  - (5) \_\_\_\_\_ Motive refers to the desire of the people to hold money in liquid cash to take advantages of the future changes in the rate of interest.  
(a) The transaction motive (b) The Precautionary motive  
(c) The speculative motive (d) All the above
- (B) Explain the modern theory of interest. (IS-LM)** [10]

- Q-3 (A) Write down the correct answers from the following alternatives** [05]
- (1) Broad money refers to.  
(a) M1 (b) M2 (c) M3 (d) M4
  - (2) Who is custodian of Monetary reserve in India?  
(a) SBI (b) SIDBI  
(c) NABARD (d) RBI
  - (3) Banks perform the function of.  
(a) Receiving deposits (b) Leading money (c) Agency services (d) All the above

(4) \_\_\_\_\_ is systematic record of all the economic transaction between one country and rest of the world.

- (a)Balance of Payment (b)Balance of Transaction  
(c)Budget (d)None of them

(5) Money includes:

- (a)Currencies and demand deposits. (b)Bonds, government securities  
(c)Equity shares (d)All the above

(B) Explain: Exchange Rate

[05]

(C) Which are the various functions of commercial banks?

[05]

OR

Q-3 (A) Write down the correct answers from the following alternatives.

[05]

(1) In order to control credit

- (a)CRR should be increased and Bank rate should be decrease.  
(b)CRR should be reduced and Bank rate should be reduced.  
(c)CRR should be increased and Bank rate should be increased.  
(d)CRR should be reduced and Bank rate should be increased.

(2) \_\_\_\_\_ Controls affect indiscriminately all sectors of the economy.

- (a)Selective credit (b)Quantitative  
(c)Marginal requirements (d)None of the above

(3) During depression, it is advisable to

- (a) Lower bank rate and purchase securities in the market  
(b) Increase bank rate and purchase securities in the open market.  
(c) Decrease bank rate and sell security in the open market.  
(d) Increase bank rate and sell security in the open market.

(4) Which of the following statements is correct?

- (a) The RBI is just like any ordinary commercial bank in India.  
(b) The RBI is responsible for the overall monetary policy in India.  
(c) Selective credit control measures affect all banks in a similar manner.  
(d) A high rate of interest encourages new investment.

(5) Which of the following statements about money is incorrect?

- (a) There are many assets which carry the attribute on money.  
(b) Money is what money does.  
(c) In modern sense, money has stability, high degree of sustainability and feasibility of Measuring statistical variation.  
(d) None of the above.

(B) Define Money and Explain various functions of Money.

[05]

(C) Explain the qualitative measures of monetary policy.

[05]

Q-4 (A) Write down the correct answers from the following alternatives.

[05]

(1) When the government tries to meet the gap of public expenditure and public revenue through borrowing from the banking system, it is called.

- (a) Deficit financing (b) Debt financing  
(c) Credit financing (d) None of all

(2) \_\_\_\_\_ is the difference between total receipt and total expenditure.

- (a) Fiscal deficit (b) Budget deficit  
(c) Revenue deficit (d) Capital deficit

(3) In the stage of \_\_\_\_\_, business activity remains far below the normal level.

- (a) Depression (b) Recovery  
(c) Boom (d) None of all

(4) A \_\_\_\_\_ is one in the case of which the impact and the incidence are on the same person.

- (a) Direct Tax (b) Indirect Tax  
(c) Both (d) None of All



- (5) When price are falling continuously, the phenomenon is called.  
(a) Inflation (b) Stagflation  
(c) Deflation (d) All above
- (B) Explain the phases of Business cycle. [05]
- (C) Define Merit and Demerit of Direct Tax. [05]

OR

- Q-4 (A) Write down the correct answers from the following alternatives. [05]
- (1) In the \_\_\_\_\_ stage of business cycle, there is rapid expansion in the economy resulting from high price and high profits.  
(a) Depression (b) Recovery  
(c) Boom (d) None of all
- (2) \_\_\_\_\_ Represents cumulative up and down of Business activity.  
(a) Business cycle (b) Recession  
(c) Boom (d) Depression
- (3) \_\_\_\_\_ is the situation where money income of community continually increases because of the increase in money supply.  
(a) Inflation (b) Deflation  
(c) Both (d) None of all
- (4) Public loans floated within the country are called \_\_\_\_\_ dept.  
(a) Internal (b) External  
(c) Both (d) None from all
- (5) \_\_\_\_\_ is an instrument of fiscal dept refers to "Obligation of governments, particularly that evidence by securities, to pay certain some to the holders at some future date".  
(a) Public dept (b) Public revenue,  
(c) Both (d) None of all
- (B) Define the Inflation and Explain the Effects of Inflation? [05]
- (C) What are the methods of repayments of public debt? [05]

All the Best

