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SARDAR PATEL UNIVERSITY
FY BBA - ISM (II SEM.) (CBCS) EXAMINATION
2011
Friday, 29th April
4.00 pm to 6.00 pm
UM02EBBS04 : MACRO ECONOMICS

Total Marks: 60

Note: Figures to the right indicate full marks.

Q.1 **(A)** Chose the correct option. [05]

(1) National income is a
- (a) Flow Concept (b) Stock Concept
- (c) Quasi Stock Concept (d) None of the above.

(2) An economic system in which all the means of production are owned and controlled by private individual for profit.
- (a) Socialist economy (b) Mixed economy
- (c) Capitalist economy (d) None of the above.

(3) Economic goods are considered scarce resources because they
- (a) can not be increased in quantity.
- (b) do not exist in adequate to satisfy social requirements.
- (c) are of primary importance in satisfying social requirements.
- (d) are limited to man made goods.

(4) In India national income is estimated by
- (a) Central Statistical Organisation (b) Planning Commission
- (c) Finance Commission (d) None of the above.

(5) In a free market economy the allocation of resource is determined by
- (a) vote taken by consumers. (b) a central planning authority.
- (c) consumer preference. (d) the level of profits of firms.

Q.1 **(B)** Explain the basic problems of an economy. [10]

OR

Q.1 **(A)** Fill in the blanks using one of the words given in the bracket. [05]

(1) A capitalist economy uses __________ as the principal means of allocating resources. (demand, supply, price, efficiency)

(2) India has adopted __________ economic system. (capitalist, socialist, mixed)

(3) In India, agricultural income is calculated thorough __________. (output method, income method, expenditure method)

(4) GDP is a measure of country's __________. (economic activities, financial position, foreign trade)

(5) In case of circular flow of income factor of production is received by __________. (Government, Capital Market, Business, Household)

Q.1 **(B)** What is National income? Discuss the various methods of measuring national income in India. [10]

Q.2 **(A)** Fill in the blanks using one of the words given in the bracket. [05]

(1) Consumption is function of __________.
(Income, Saving, Investment)

(2) According to Keynes employment depends upon __________.
(effective demand, effective supply, price, income)

(3) K= __________. $\left(\frac{\Delta I}{\Delta Y}, \frac{\Delta S}{\Delta Y}, \frac{\Delta Y}{\Delta I}\right)$

(4) Transaction demand for money is proportional to__________.
(Rate of interest, income, money, investment)

(5) Money supply is governed by__________.
(planning commission, central bank, individual, companies)

Q.2 **(B)** What is consumption function? Discuss Keynes consumption function with the help of diagram. [10]

OR

Q.2 **(A)** Chose the correct option. [05]

(1) Liquidity trap occurs when
(a) increase in money supply can't reduce rate of interest.
(b) increase in money demand can't reduce rate of interest.
(c) increase in rate of investment can't reduce rate of interest.
(d) increase in saving rate can't reduce interest rate.

(2) The MPC is the rate of change in the.
(a) MPS (b) APC
(c) APS (d) None of the above.

(3) The concept of multiplier was first developed by
(a) Keynes (b) R. F. Kahn
(c) J.B. Say (d) Milton Fridman

(4) Speculative demand for money is inversely related to
(a) rate of interest (b) money supply
(c) investment (d) income

(5) In case of Keynes theory money supply curve is
(a) horizontal (b) vertical
(c) downward sloping (d) upward sloping

Q.2 **(B)** Discuss the concept of investment multiplier in detail. [10]

Q.3 **(A)** Chose the correct option. [05]

(1) Narrow definition of money is
(a) M_1 (b) M_2
(c) M_3 (d) M_4

(2) ATM facility provides
(a) loans (b) liquidity
(c) investment (d) both (a) and (b)

(3) Milton Fridman belong to which school of economics?
(a) Harvard (b) Cambridge
(c) Chicago (d) MIT

(4) The rate at which one currency is exchanged for another.
(a) market rate (b) exchange rate
(c) both (a) and (b) (d) none of the above.

(5) Coins are issued by
(a) RBI (b) Central Government
(c) Local government (d) State government

Q.3 **(B)** Explain Ricardian theory of comparative cost advantage. [10]

OR

Q.3 **(A)** Choose the correct option. [05]

(1) Broad definition of money is
(a) M_1 (c) M_3
(b) M_2 (d) M_4

(2) Banks are regulated by
(a) Securities Exchange Board of India (b) Reserve Bank of India
(c) Company Law Board (d) Registrar of companies

(3) Open market operation is part of
(a) Credit policy (b) Income policy
(c) Price policy (d) Monetary policy

(4) Bank rate is decided by
(a) RBI (b) Public
(c) Business (d) Market forces

(5) In free market exchange rate is determined by
(a) elasticity of demand for foreign exchange
(b) demand for and supply of foreign exchange
(c) both (a) and (b)
(d) none of the above

Q.3 **(B)** Define the following terms. [05]
(1) Money
(2) Exchange rate
(3) Balance of payments
(4) Monetary policy
(5) International trade

Q.3 **(C)** State whether the following sentences are true/false. [05]
(1) Buying and selling of securities by Central Bank is called open market operation.
(2) Notes are issued by commercial bank.
(3) Money acts as a medium of exchange.
(4) The principle of comparative costs is based on the differences in production costs of similar commodities in same countries.
(5) Balance of payment is in equilibrium when receipt from foreign and payments made to foreign are equal.

Q.4 **(A)** Fill in the blanks using one of the words given in the bracket. [05]

(1) In the ________ phase demand, output, employment and income are at a high level. (prosperity, depression, recovery, trough)

(2) Inflation is caused by an increase in the _______ of money. (supply, demand, value)

(3) Borrowing from the public is called ________. (public debt, tax, fees)

(4) The tax is paid by a person on whom it is legally imposed called______. (indirect tax, progressive tax, direct tax)

(5) Deficit financing in a developed country is used to control ________. (national income, depression, inflation)

Q.4 **(B)** Explain **Any Two**. [10]

(a) Business cycle (b) Safe limit

(c) Philips curve (d) Merits of direct tax

OR

Q.4 (**A**) Choose the correct option. [05]

(1) Find the tax which is direct tax among the following

(a) Personal income tax (b) Excise duty

(c) Sales tax (d) Service tax

(2) Among the following types of taxes find the one which is indirect.

(a) Gift Tax (b) Corporate Income Tax

(c) VAT (d) Wealth Tax

(3) Debt which is repayable by the government after fix period of time

(a) voluntary debt (b) funded debt

(c) redeemable debt (d) productive debt

(4) When economy reaches to the full employment level, an increase in aggregate expenditure will raise the price level in the same proportion is called

(a) semi inflation (b) walking inflation

(c) hyper inflation (d) true inflation

(5) Debt which is taken by the government without any coercion or force is called?

(a) compulsory debt (b) voluntary debt

(c) unfunded debt (d) productive debt

Q.4 **(B)** Define the following terms. [05]

(1) Inflation (2) Tax (3) Debt repayment

(4) Direct tax (5) Public debt

Q.4 **(C)** State whether the following sentences are true/false. [05]

(1) Taxes are most important sources of government.

(2) Business cycles are seasonal fluctuations.

(3) Inflation is caused by an increase in the supply of money.

(4) Excise duties are indirect taxes.

(5) Inflation increases inequalities in the distribution of income and wealth.

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