

END TERM EXAMINATION

SECOND SEMESTER [BCOM(HONS)] JUNE 2024

Paper Code: BCOM-106

Subject: Macro Economics (C)

Time: 3 Hours

Maximum Marks: 60

Note: Attempt all questions as directed. Internal choice is indicated.

- Q1 Attempt **any Four** of the following questions (4x5=20)
- a) Circular flow of money in an open economy
 - b) Marginal efficiency of capital and marginal efficiency of investment
 - c) How does a balanced budget multiplier operate when a lumpsum tax and a proportional income tax are levied
 - d) Cost-push and demand-pull inflation.
 - e) Effective demand
 - f) IS-LM functions

- Q2 a) Which aspects of analysing the economy-wide magnitudes are "macro", and which are "static"? Suitably Illustrate your answer. **(3)**
- b) On the basis of the following information, calculate Net National Product at Market Prices and Disposable Personal Income: **(7)**

	Rs In Crores
Net domestic product at factor cost	15480
Income from domestic product accruing to government	140
National Debt interest	170
Transfer payments by government	240
Net private donation from abroad	30
Net earned income from abroad	80
Indirect Taxes	1330
Direct Taxes	335
Subsidies	100
Taxes on corporate profits	222
Undistributed profits of corporations	105

OR

- Q3 Which of the following are likely to increase measured GDP, and which are likely to reduce it? Give justification. **(10)**
- a) The fraction of women working outside the home increases.
 - b) There is a sharp increase in the crime rate.
 - c) Higher tax rates cause some people to hide more of the income they earn.

- Q4 Why did the classical economists assume that full employment would be automatic in a competitive economy? On what grounds did Keynes question this assumption? **(10)**

OR

- Q5 "Keynes's consumption function is an epoch-making contribution to the tools of economic analysis". Discuss this statement and bring out the importance of consumption function in macroeconomic analysis. **(10)**

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Q6 What is a business cycle? It is a well-known fact that modern economies are characterized by business cycles. Does this mean that it is very easy for firms to decide whether to expand or not since entrepreneurs can easily forecast future economic growth? Comment. (10)

OR

Q7 a) Which is a greater problem: anticipated inflation or unanticipated inflation? Explain. (5)

b) Suppose that the inflation rate turns out to be much higher than most people expected. In that case, would you rather have been a borrower or a lender? Explain. (5)

Q8 A student says: "I understand why the RBI uses expansionary policy, but I don't understand why it would ever use contractionary policy. Why would the government ever want the economy to contract?" Briefly answer the student's question. (10)

OR

Q9 According to the quantity theory of money, if velocity does not change when a country's money supply increases, will there be an increase in nominal or real GDP? Discuss. (10)
