

PARUL UNIVERSITY
FACULTY OF MANAGEMENT
BBA Winter 2019 - 20 Examination

Semester: 2
Subject Code: 06101154
Subject Name: Principles of Economics - Macro

Date: 10/12/2019
Time: 10:30 am to 1:00 pm
Total Marks: 60

Instructions

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

Q.1 Do as Directed.**A). Multiple choice type questions/Fill in the blanks. (Each of 1 mark)****(05)**

1. Which of the following topics does not belong to macro economics?
 - a) Investment function
 - b) consumption function
 - c) Theory of Rent
 - d) Theory of general price level
2. The relation between MPC and K is _____.
 - a) direct
 - b) indirect
 - c) inverse
 - d) proportionate
3. Which of the following tools does not belong to fiscal policy?
 - a) tax revenue
 - b) credit creation
 - c) public debt
 - d) public expenditure
4. What happens to value of money during inflation?
 - a) it falls
 - b) it rises
 - c) it remains constant
 - d) it moves up
5. Which item belongs to capital account?
 - a) Visible Exports
 - b) Invisible Exports
 - c) Interest income from abroad
 - d) Foreign Direct Investment

B). Define the following. (Each of 1 mark)**(05)**

1. Gross National Product
2. Bank Rate
3. M_4
4. Marginal efficiency of capital
5. Cost push Inflation

C). Direct questions. (Each of 1 mark)**(05)**

1. What are Transfer Payments?
2. What is Investment Function?
3. What are the different Instruments of Fiscal Policy?
4. What is the difference between Balance of trade and Balance of Payment?
5. What is Business Cycle?

Q.2 Answer the following questions.

- A). Critically discuss the liquidity preference theory of interest. (07)
- B). What is money? Explain the various functions of money in the present day economy. Also state the arguments against money presented by Milton Friedman, Gurley and Shaw. (08)

Q.3 Answer the following questions.

- A). Describe the various phases of a business cycle. (07)
- B). Discuss the general and selective methods of credit control with the help of their objective. (08)

Q.4 Attempt any two questions. (Each of 7.5 mark) (15)

1. Explain fully the circular flow of income and expenditure in a four sector economy.
2. Explain Keynes' theory of Income Determination. State its advantages and limitations.
3. Distinguish Between:
 - a) Full Inflation and Partial Inflation
 - b) Stagflation and Deflation
 - c) Open Inflation and Suppressed Inflation
4. State the causes of Disequilibrium in the BOP. Also discuss the methods of correcting adverse Balance of Payments.