

**PARUL UNIVERSITY**  
**FACULTY OF MANAGEMENT**  
**BBA Summer 2018 - 19 Examinations**

**Semester: 2**  
**Subject Code: 06101154**  
**Subject Name: Principles of Economics(Macro)**

**Date: 15/04/2019**  
**Time: 10:30am to 01:00pm**  
**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 expenditure of the government is not included in national income?
 

a) Defense expenditure	c) Transfer payments
b) Consumption expenditure	d) Investment expenditure
2. The relation between MPC and K is
 

a) direct	c) indirect
b) inverse	d) proportionate
3. What is near money?
 

a) Coins	c) Demand Deposits
b) Promissory Notes	d) Time Deposits
4. How many phases a business cycle has?
 

a) two	c) three
b) four	d) five
5. Who determines the bank rate?
 

a) commercial bank	c) central bank
b) cooperative banks	d) development banks

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

1. Gross National Product
2. Consumption Function
3. M4
4. Aggregate Supply Price
5. Open Market Operations

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

1. What do you mean by Business Cycle?
2. What is Marginal Efficiency of capital?
3. What do you understand by Cost push Inflation?
4. What is SLR?
5. List down any 3 Instruments of Fiscal Policy.

**Q.2 Answer the following questions.**

**A) What does national income mean? Explain the three methods of measuring national income in detail. (07)**

**B) What is investment Multiplier? Explain the process of Income generation of through investment multiplier with suitable example. (08)**

**Q.3 Answer the following questions.**

**A) Explain the process of credit creation with its limitation. (07)**

**B) State the debit & credit items in current account & capital account of Balance of payment. Also give the causes of disequilibrium in the Balance of Payments. (08)**

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

**(15)**

1. Evaluate the possible contribution of both fiscal policy and monetary policy during an economic recession.
2. Explain the effects of Inflation on Economic growth, income & wealth distribution, Balance of trade& External value of local currency.
3. Critically discuss the liquidity Preference theory of interest.
4. Discuss practical utility of the study of Macro Economics.