

**PARUL UNIVERSITY**  
**FACULTY OF LAW**  
**I-B.A.LL.B, Winter 2017-18 Examination**

**Semester: 3**  
**Subject Code: 15101203**  
**Subject Name: Macroeconomics**

**Date: 11/12/2017**  
**Time: 10:30 am to 1:00 pm**  
**Total Marks: 60**

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**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.****(15)**

1. The circular flow of income is defined as:
  - A. Money sitting
  - B. National income
  - C. Roundness of money
  - D. Flow of income between households and firms
2. Gross national income product is the market value of \_\_\_\_\_.
  - A. All transactions in an economy during a one year period.
  - B. All goods and services exchanged in an economy during a one year period
  - C. All final goods and services exchanged in an economy during a one year period
  - D. All final goods and services produced in an economy during a one year period.
3. National income is \_\_\_\_\_.
  - A. Income of the Government
  - B. Budget of the Government
  - C. Sum total of factor income
  - D. Profits of the public sector units
4. The main postulates of the classical economies is/are \_\_\_\_\_.
  - A. There is always full employment
  - B. The economy is always in the state of equilibrium
  - C. Money does not matter
  - D. All of the above
5. The multiplier effect of an initial increase in investment depends on \_\_\_\_\_.
  - A. Price level
  - B. Marginal propensity to consume
  - C. Advertisement
  - D. Employment
6. "The theory of consumption which argues that people gear their consumption behavior to their long run consumption opportunities, not to their current level of income." Is the essence of \_\_\_\_\_.
  - A. Life cycle hypothesis
  - B. Permanent income hypothesis
  - C. Absolute income hypothesis
  - D. Relative income hypothesis
7. The basic determinants of investment are \_\_\_\_\_.
  - A. Marginal efficiency of capital and rate of discount
  - B. Marginal efficiency of investment and rate of discount
  - C. Marginal efficiency of capital and rate of interest
  - D. All of the above

8. Multiplier process in economic theory is conventionally taken to mean?
  - A. The manner in which prices increases
  - B. The manner in which banks create credit
  - C. Income of an economy grows on account of an initial investment
  - D. The manner in which government expenditure increases
9. \_\_\_\_\_ refers to the aggregate money value of all final goods and services resulting from the economic activities of the people of a country over a period of one year.
10. \_\_\_\_\_ is essentially the study of the behavior and performance of the economy as a whole. It studies the relationship and interaction between the 'factors or forces' that determine the level and growth of national output and employment, general price level and the balance of payments positions of an economy.
11. define real wages
12. define full employment
13. define GDP
14. Define Disposable income.
15. Define consumption function.

**Q.2 A) Answer the following :** **(12)**

1. What are micro and macro paradoxes? Explain with examples.
2. Distinguish between Average propensity to consume and marginal propensity to consume.
3. What is Life cycle hypothesis? Discuss about it.

**OR**

3. What are the assumptions considered for the circular flow model between household and firms?

**Q.3 Answer the following :**

**A) Illustrate graphically the circular flows of income and expenditure in a four sector model.** **(08)**

**OR**

**A) Define Investment Multiplier. Explain the process of the Multiplier with its different formulas for calculation of multiplier.** **(08)**

**B) What are the major macroeconomics issues which make the subject matter of macroeconomics? What are the major issues related to the growth issue?** **(07)**

**OR**

**B) Explain what is the meaning of economic production and non economic production?** **(07)**

**Q.4 Answer the following :**

**A) Explain say's law of market.** **(06)**

**B) Answer the following** **(12)**

1. Distinguish between GNP and GDP
2. Explain leakages of multiplier.

**OR**

2. Explain Circular flow of income with two sector model.