

PARUL UNIVERSITY
FACULTY OF LAW
B.A. LL.B., Winter 2018 – 19 Examination

Semester: 3
Subject Code: 17301203
Subject Name: Macro Economics

Date: 01/11/2018
Time: 10:30am to 1:00pm
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.**(15)**(MCQ) (1 marks each. All Compulsory)

1. Law of demand shows relation between:

a) Income and price of commodity	b) Price and quantity of a commodity
c) Income and quantity demand	d) Quantity demanded and supplied
2. When did the Great Depression hit the United States?

a) 1860	b) 1776
c) 1936	d) 1929
3. Tastes & first choices are determinants of

a) supply	b) demand
c) demand curve	d) elasticity
4. The natural rate of unemployment is likely to fall if:

a) Unemployment benefits increase	b) Income tax increases
c) More training is available for the unemployed	d) Geographical immobility increases
5. To a great extent market can offer is

a) supply	b) demand
c) demand curve	d) elasticity
6. Consider the following statements and identify the right ones:

[i] While calculating GDP, income generated by foreigners in a country is taken into consideration

[ii] While calculating GDP, income generated by nationals of a country outside the country is taken into account

a) only [i]	b) only [ii]
c) both [i] and [ii]	d) none
7. Which of the following people would be considered unemployed?

a) A full-time college student.	b) A recent high school graduate looking for a first job.
c) A retired school teacher collecting social security benefits.	d) A homemaker contributing 15 hours per week as a volunteer worker in a hospital.
8. It is added to GDP to get GNP

a) Depreciation allowance	b) Direct taxes
c) Subsidies	d) Net income from abroad
9. Unemployment caused by a recession is called:

a) Frictional unemployment.	b) Cyclical unemployment.
c) Natural unemployment	d) Structural unemployment

10. GNP is always:
- Less than NNP
 - Greater than NNP
 - Equal to NNP
 - Any of (a), (b), (c)
11. If we compare GDP and GNP, then:
- $GNP = GDP - \text{net income from abroad}$
 - $GNP = NNP - \text{net income from abroad}$
 - $GNP = GDP + \text{net income from abroad}$
 - $GNP = NNP + \text{net income from abroad}$
12. Structural unemployment often occurs when:
- The economy enters a recession
 - People first enter the labor force
 - People are discriminated against
 - People lose a job because their skills are no longer needed
13. Which of the following is not macroeconomics:
- Inflation
 - Unemployment
 - Level of wages in garment industry
 - The level of output in the economy
14. When national income is estimated by expenditure method, we include:
- All govt. expenditure
 - All household expenditure
 - All expenditure of the business sector
 - All of the above
15. Workers at a steel plant are laid off because the economy is weak and the demand for products requiring steel has fallen. What type of unemployment best describes the workers situation?
- Frictional unemployment.
 - Cyclical unemployment.
 - Natural unemployment
 - Structural unemployment

Q.2 A) Answer the following (Each of three mark) (15)

- What is GDP? Explain types of GDP.
- Explain Surplus and Shortage with graph.
- Explain inflation, deflation, hyperinflation and stagflation.
- What is unemployment? Explain types of unemployment.
- What are the factors that affect national income?

Q.3 A) Was the Keynesian theory a solution to the Great Depression? Justify your answer. (08)

OR

Explain GDP, GNP, NNP and NNP at factor cost. (08)

B) Difference between Classical theory and Keynesian theory. (07)

OR

Difference between Micro and Macro Economics. (07)

Q.4 A) A survey indicated that chocolate is Americans' favorite ice cream flavor. For each of the following, indicate the possible effects on demand, supply, or both as well as equilibrium price and quantity of chocolate ice cream: (07)

- A severe drought in the Midwest causes dairy farmers to reduce the number of milk producing cattle in their herds by a third. These dairy farmers supply cream that is used to manufacture chocolate ice cream.
- A new report by the American Medical Association reveals that chocolate does, in fact, have significant health benefits.
- The discovery of cheaper synthetic vanilla flavoring lowers the price of vanilla ice cream.
- New technology for mixing and freezing ice cream lowers manufacturers' costs of producing chocolate ice cream.

B) Answer the following (Any 4 each of two mark)

(08)

1. What are the main goals of Economist?
2. How to measure the rate of inflation?
3. Who are discouraged workers and underemployed workers?
4. Which one is a better measure nominal GDP or real GDP? Why?
5. What is NAI done for?
6. What is NI?