

**PARUL UNIVERSITY**  
**FACULTY OF LAW**  
**I- B.A. LL.B Winter 2019 – 20 Examination**

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

**Date: 05/12/2019**  
**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.****(1 marks each.)****(15)**

1. When prices rise fast rate, it is called  
(A) Inflation (B) Deflation (C) Stagnant (D) None
2. Supply creates the supply for the other goods as per the Say the economist  
(A) Agree (B) Disagree
3. Rising inventories usually indicate  
A) an economy that grows unexpectedly.  
B) an economy that slows unexpectedly.  
C) an unexpected spurt in sales.  
D) an inflationary cycle.
4. Classical Theory believes that full-employment is the employment level the economy will return to, and tends to remain at in the long run  
(A) Agree (B) Disagree
5. If your grandparents buy a newly built retirement home, this transaction would affect \_\_\_\_\_ economy  
(A) investment (B) consumption  
(C) both (A) & (B) (D) None
6. There are no payments made to the services earned by the firms or Industries through the households in three sector model.  
(A) Agree (B) Disagree
7. Which of the following is not a Macroeconomic aggregate  
(A) Capital formation  
(B) Balance of payments  
(C) Capital inflow  
(D) International economic issues
8. Investment is  
(A) the purchase of goods and services  
(B) the purchase of capital equipment and structures  
(C) when we place our saving in the bank  
(D) the purchase of stocks and bonds
9. Macroeconomic policy instruments are macroeconomic quantities that can be directly controlled by an economic policy maker  
(A) Agree (B) Disagree
10. The marginal propensity to consume is  
A) increasing if the marginal propensity to save is increasing.  
B) the proportion of total disposable income that the average family consumes.  
C) the change in consumer spending divided by the change in aggregate disposable income.  
D) the change in consumer spending minus the change in aggregate disposable income.
11. A expansion of business with the amount put in purchase of Land is Savings  
(A) Agree (B) Disagree

12. Gross Domestic Product can be measured as the sum of  
 (A) final goods and services, intermediate goods, transfer payments, and rent  
 (B) consumption, investment, government purchases, and net exports  
 (C) consumption, transfer payments, wages, and profits  
 (D) Net National Product, Gross National Product, and Disposable personal income  
 (E) investment, wages, profits, and intermediate production
13. Finished Goods are calculated in National Income  
 (A) Agree (B) Disagree
14. Economics is the study of  
 (A) how society manages its unlimited resources  
 (B) how to reduce our wants until we are satisfied  
 (C) how to fully satisfy our unlimited wants  
 (D) how to avoid having to make trade-offs
15. Banks create money when they  
 (A) make loans (B) take deposits  
 (C) hold excess reserves (D) pay withdrawals to depositors

**Q.2 A) Write short notes on (Each of three mark) (15)**

1. ex-ante & ex-post Variables
2. Stock & Flow Variables
3. Endogenous & Exogenous
4. National Income
5. Net Domestic Product

**Q.3 A) Explain determinants of consumption spending (08)**  
**OR**

A) Explain four circular flow of economy (08)

**Q.3 B) Mention and explain scope of Macro Economics (07)**  
**OR**

B) Explain various Macroeconomic aggregate (07)

**Q.4 A) Arjun and Krishna are two friends the income & investment details are as follow: (07)**

The last year income of Arjun is Rs. 1000000 rs. And current income is 3500000 rs. He use to invest 25000 rs. and with increase in income he invests 40000 rs.

The previous year income of Krishna is Rs. 2000000 rs. And current income is 25% more than last year. He use to invest 10% of his income.

Find Investment Multiplier (K) of both the friends.

**Q.4 B) Answer any four from the following (Each of two mark) (08)**

1. List Various concepts of national income and explain one of them
2. What are the Issues in macroeconomics
3. What are the Keynesian critics of classical system
4. List Macroeconomic goals
5. Explain Principle of effective demand
6. Explain Marginal propensity to consume