

Navrachana University
School of Business and Law
BBA/BBA-LLB
End-Semester Examination May 2017
BBA/BBA-LLB Semester II
MACRO ECONOMICS EC 102

Date: 9th May 2017 (TUESDAY)
Time: 8 am to 10 am (2 hours)

Marks: 40

Instructions:

- Write the main question number and sub-question number clearly.
- Mention the formula while solving the numerical.
- Use full forms instead of short forms wherever applicable.
- **DO NOT** write anything on the question paper.

Q1. a) Explain the 3 sector model of circular flow of income and expenditure with the help of a diagram. (5 marks)

b) For a community, the total income is Rs.50000 crores. Out of this, 30% is saved. Out of the additional income, the community saves 60%. Interpret this information. Find out the values of APC, MPC and dissavings. (5 marks)

OR

Q1. a) You are given this information: (5 marks)

PARTICULARS	AMOUNT (Rs.Cr.)
National Income	700000
GNP @ FC	735000
Personal Income	790000
GNP @ MP	750000
Subsidies	30000
Contribution to PF	20000
Disposable income	720000

Calculate: Consumption of capital, Indirect tax, Incomes received but not earned, direct taxes.

b) How will a high value of MPC impact the value of the Multiplier? (5 marks)

Q2. a) Define inflation. Explain the impact of inflation on the following with an example:

- Real income
 - Fixed income earners
- (5 marks)

b) Explain “demand for money” according to John Maynard Keynes. (5 marks)

OR

Q2. a) What are the causes of high food inflation in India? (5 marks)

b) Explain the concept of demonetization in brief. (5 marks)

Q3. a) Explain the process of credit creation by commercial banks. (5 marks)

b) Write a short note on the merits of cashless economy. (5 marks)

OR

Q3. Explain the tools of the monetary policy of the RBI. Explain their use in case of a hawkish policy. (10 marks)

Q4. a) Define a tax. Explain any 5 canons of taxation. (5 marks)

b) How is the Union Budget different from a family budget? (5 marks)

OR

Q4. a) What are the corrective measures that can be undertaken by the Finance Ministry with reference to business cycles? (5 marks)

b) Explain the sources of non-tax revenue for the Government. (5 marks)
