

Total No. of Questions: 6

Total No. of Printed Pages:3

Enrollment No.....



Faculty of Commerce / Management Studies

End Sem Examination May-2024

CM3EG02 / MS3EG03

Macro Economics / Business Economics -II

Programme: B.Com.

Branch/Specialisation: Commerce /

/ BBA

Management

Duration: 3 Hrs.

Maximum Marks: 60

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d. Assume suitable data if necessary. Notations and symbols have their usual meaning.

- Q.1 i. A group of economists, called “monetarists”, led by \_\_\_\_\_. **1**  
(a) Radicalists (b) Arthur Laffer  
(c) Milton Friedman (d) Rudiger Dornbusch
- ii. Which one is a stock variable? **1**  
(a) Imports (b) National income  
(c) Exports (d) Money supply
- iii. The average income of the country is- **1**  
(a) Per capita income (b) Disposable income  
(c) Inflation rate (d) Real national income
- iv. Which of the following constitute the reason for difference **1**  
between market prices and factor cost?  
(a) Indirect tax (b) Subsidies  
(c) Both (a) and (b) (d) Neither (a) nor (b)
- v. Say’s law of market says- **1**  
(a) Supply creates its own demand  
(b) Demand creates supply  
(c) Income generates demand  
(d) Savings create demand
- vi. Average propensity to consume is- **1**  
(a) Consumption/Income (b) Income / Consumption  
(c) Saving / Income (d) None of these

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- vii. In  $MV=PT$ , if M doubles and V and T remain constant, then P will: **1**  
 (a) One and half (b) Four times  
 (c) Double (d) Three times
- viii. A saving account in a bank represents the function of money: **1**  
 (a) A measure of value  
 (b) A medium of exchange  
 (c) Store of value  
 (d) A standard for deferred payments
- ix. The trough of a business cycle occurs when \_\_\_\_\_ hit its lowest point. **1**  
 (a) Inflation  
 (b) The money supply  
 (c) Aggregate economic activity  
 (d) The unemployment rate
- x. Monetary theory of business cycles was introduced by- **1**  
 (a) Hawtrey (b) A. C. Pigou  
 (c) J. M. Keynes (d) J. B. Say
- Q.2 i. Explain limitations of macro economics. **2**  
 ii. Write a short note on stock and flow variable. **2**  
 iii. The study of macro economic issues helps an entrepreneur for the business activity. Discuss it. **6**
- OR iv. Explain the classical and Keynesian views on macro economics. **6**
- Q.3 i. If national income is increasing then the welfare of the people will also increase. Discuss it. **3**  
 ii. Explain the circular flow of income in four sectors economy. **7**
- OR iii. What do you mean by national income? Explain the income method to calculate the national income. **7**
- Q.4 i. Write a short note on investment. Explain its types. **3**  
 ii. What do you mean by consumption function? Explain marginal propensity to consume and average propensity to consume. **7**
- OR iii. What do you mean by multiplier? Discuss its importance for government to give the moment to economy. **7**

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- Q.5 i. Explain M1, M2, M3 and M4. **4**  
 ii. Critically explain the quantity theory of money given by prof. Irving Fisher. **6**
- OR iii. Define money. Explain functions of money. **6**
- Q.6 Attempt any two:  
 i. Write a detailed note on inflation and Philips curve. **5**  
 ii. Elaborate Keynes theory of business cycle. **5**  
 iii. Discuss the role of monetary policy to promote the growth and in recession. **5**

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## Marking Scheme

### Macro Economics - CM3EG02

Q.1	<p>i) A group of economists, called “monetarists”, led by.... <b>1</b>  (a) Radicalists (b) Arthur Laffer  <b>(c) Milton Friedman</b> (d) Rudiger Dornbusch</p> <p>ii) Which one is a stock variable? <b>1</b>  (a)Imports (b)National income  (c)Exports <b>(d)Money supply</b></p> <p>iii) The average income of the country is <b>1</b>  <b>(a)Per capita income</b> (b)Disposable income  (c)Inflation rate (d)Real national income</p> <p>iv) Which of the following constitute the reason for difference between market prices and factor cost? <b>1</b>  (a) Indirect tax (b) Subsidies  <b>(c) Both (a) and (b)</b> (d) Neither (a) nor (b)</p> <p>v) Say’s law of market says <b>1</b>  <b>(a) Supply creates its own demand</b> (b) Demand creates supply  (c) Income generates demand (d) Savings create demand</p> <p>vi) Average propensity to consume is <b>1</b>  <b>(a) Consumption/Income</b> (b) Income / Consumption  (c) Saving / Income (d) None of these</p> <p>vii) In <math>MV=PT</math>, if M doubles and V and T remain constant, then P will: <b>1</b>  (a) One and half (b) Four times <b>(c) Double</b> (d) Three times</p> <p>viii) A saving account in a bank represents the function of money: <b>1</b>  (a) A measure of value (b) A medium of exchange  <b>(c) Store of value</b> (d) A standard for deferred payments</p> <p>ix) The trough of a business cycle occurs when _____ hit its lowest point. <b>1</b>  (a) Inflation (b) The money supply  <b>(c) Aggregate economic activity</b> (d) The unemployment rate</p> <p>x) Monetary theory of business cycles was introduced by <b>1</b>  <b>(a) Hawtrey</b> (b) A. C. Pigou (c) J. M. Keynes (d) J. B. Say</p>			<p>iii. The study of macro economic issues helps an entrepreneur for the business activity. Discuss it. <b>6</b>  <b>Scheme:</b>  Discuss any six issues with examples each carry one mark.</p> <p>OR iv. Explain the classical and Keynesian views on macro economics. <b>6</b>  <b>Scheme:</b>  1)Explain the classical views on macro economics – 3 Marks  2)Explain the Keynesian views on macro economics – 3 marks</p> <p>Q.3 i. If national income is increasing then the welfare of the people will also increase. Discuss it. <b>3</b>  <b>Scheme:</b> Explain with example</p> <p>ii. Explain the circular flow of income in four sectors economy. <b>7</b>  <b>Scheme:</b>  1)Explain four sector economy (Real flow and money flow) -- 4 Marks  2)Draw a diagram----- 3 Marks</p> <p>OR iii. What do you mean by national income? Explain the income method to calculate the national income. <b>7</b>  <b>Scheme:</b>  1)Define national income ----- 2 Marks  2)Explain the income method to calculate the national income. – 5 marks.</p> <p>Q.4 i. Write a short note on investment. Explain its types. <b>3</b>  <b>Scheme:</b>  1) Write a short note on investment. ----- 1 Mark  2) Explain its two types with diagram. Each carry 2 Mark</p> <p>ii. What do you mean by consumption function? Explain marginal propensity to consume and average propensity to consume. <b>7</b>  <b>Scheme:</b>  1) Define consumption function with table and diagram ----- 3 Marks  2) Explain MPC with table and diagram ----- 2 marks  3) Explain APC with table and diagram ----- 2 marks</p>
Q.2	<p>i. Explain limitations of macro economics. <b>2</b>  <b>Scheme:</b> Explain any two limitations</p> <p>ii. Write a short note on stock and flow variable. <b>2</b>  <b>Scheme:</b>  Short note on stock variable carry one mark  Short note on flow variable carry one mark</p>		OR	<p>iii. What do you mean by multiplier? Discuss its importance for government to give the moment to economy. <b>7</b>  <b>Scheme:</b>  1) Define multiplier with formula ----- 3 marks</p>

2) Discuss its importance for government to give the moment to economy with example -----4 marks

- Q.5 i. Explain M1, M2, M3 and M4. **4**  
**Scheme:**  
 1) Explain M1, M2, M3 and M4 each carry one mark.
- ii. Critically explain the quantity theory of money given by prof. Irving Fisher. **6**  
**Scheme:**  
 1) Statement of the theory ----- 1 Marks  
 2) Assumptions ----- 1 Mark  
 3) Explanation of the theory with diagram ----- 3 Marks  
 4) Criticism of the theory ----- 1 Marks
- OR iii. Define money. Explain functions of money. **6**  
**Scheme:**  
 1) Define money ----- 2 Marks  
 2) Explain any four functions of money. Each carry one mark.  
 - 4 Mark
- Q.6 Attempt any two:
- i. Write a detailed note on inflation and Philips curve. **5**  
**Scheme:** Write a detailed note of inflation :- 2.5 Marks  
 and Philips curve with diagram. 2.5 Marks
- ii. Write a detailed note on inflation and Philips curve. **5**  
**Scheme:**  
 1) Write detailed note on inflation and Philips curve with diagram
- iii. Elaborate Keynes theory of business cycle. **5**  
**Scheme:**  
 1) Elaborate Keynes theory of business cycle. --- 5 Marks

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