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Enrollment No.....



Faculty of Management Studies

End Sem (Even) Examination May-2019

MS3EG03 Business Economics II

Programme: BBA

Branch/Specialisation: Management/DM

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.

- Q.1 i. Macroeconomics as a separate branch came to be studied after the contributions of which economist? **1**
(a) Adam Smith (b) John Maynard Keynes
(c) F. Hayek (d) Samuelson
- ii. Which of the following is a central issue in macroeconomics? **1**
(a) The deregulation of the banking industry
(b) Inflation of prescription drug prices
(c) The effect of excise taxes on consumers' buying patterns
(d) None of these
- iii. What is the sum total of gross value added of all the firms in the country? **1**
(a) Gross Domestic Product (b) Gross National Product
(c) Net Domestic Product (d) Net National Product
- iv. What is the sum total of gross value added of all the firms in the country minus the depreciation? **1**
(a) Gross Domestic Product (b) Gross National Product
(c) Net Domestic Product (d) Net National product
- v. In the given equation $C = a + bY$ What is the meaning of b **1**
(a) Coefficient (b) Intercept (c) MPC (d) None of these
- vi. At the break-even level of income **1**
(a) Income=consumption (b) Income<consumption
(c) Income>consumption (d) None of these

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- vii. If we put this letter in the blank space, we get quantity theory of money $PT = M_$ **1**
 (a) S (b) T (c) V (d) A
- viii. In the equation $M_d = kPY$ showing Cambridge cash balance approach. Y represents: **1**
 (a) Year of measurement of national income
 (b) National income
 (c) Real National Income
 (d) Both (a) and (b)
- ix. They are not affected badly by rising prices. **1**
 (a) Salaried persons (b) Businessmen
 (c) Debtors (d) Importers
- x. Inflation: **1**
 (a) Makes distribution of income equal
 (b) Makes distribution of income unequal
 (c) Has no effect on distribution of income
 (d) Affects only industrial sector
- Q.2 i. Write a short note on major issues of macroeconomics. **4**
 ii. Discuss the importance of the study of macroeconomics with reference to business decision. **6**
- OR iii. Explain the development of macroeconomics. **6**
- Q.3 i. Define national income. **2**
 ii. How does the addition of Government in a two-sector economy affect circular flow of income? If government's budget is deficit, how will it affect circular flow of income? **8**
- OR iii. Discuss the importance of national income with reference to business. **8**
- Q.4 i. Explain how Keynes showed that money wage cut would fail to increase employment. **3**
 ii. Explain and illustrate diagrammatically the concept of multiplier. Write leakages that may occur in the operation of multiplier in an economy. **7**

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- OR iii. Explain classical theory of employment and output. **7**
- Q.5 i. Money is what money does. Discuss **3**
 ii. Explain the significance of money. What would happen to an economy if money supply suddenly disappeared? **7**
- OR iii. Critically explain the Marshall and Pigou's Quantity Theory of Money. **7**
- Q.6 Attempt any two:
 i. Critically explain Hawtrey's theory of business cycles. **5**
 ii. Explain the Phillips curve. **5**
 iii. Explain various features of business cycles. **5**

Marking Scheme
MS3EG03 Business Economics II

Q.1	i.	Macroeconomics as a separate branch came to be studied after the contributions of which economist? (b) John Maynard Keynes	1
	ii.	Which of the following is a central issue in macroeconomics? (d) None of these	1
	iii.	What is the sum total of gross value added of all the firms in the country? (a) Gross Domestic Product	1
	iv.	What is the sum total of gross value added of all the firms in the country minus the depreciation? (c) Net Domestic Product	1
	v.	In the given equation $C = a + bY$ What is the meaning of b (c) MPC	1
	vi.	At the break-even level of income (a) Income=consumption	1
	vii.	If we put this letter in the blank space, we get quantity theory of money $PT = M_$ (c) V	1
	viii.	In the equation $M_d = kPY$ showing Cambridge cash balance approach. Y represents: (c) Real National Income	1
	ix.	They are not affected badly by rising prices. (b) Businessmen	1
	x.	Inflation: (b) Makes distribution of income unequal	1
Q.2	i.	Major issues of macroeconomics. Any four major issues 1 mark for each (1 mark * 4)	4
	ii.	Importance of the study of macroeconomics Any six points 1 mark for each (1 mark *6)	6
OR	iii.	Development of macroeconomics. Each stage has two marks (2 marks * 3)	6
Q.3	i.	National income.	2
	ii.	Addition of Government in a two-sector economy affect circular flow of income 4 marks	8

		Government's budget is deficit, how will it affect circular flow of income 4 marks	
OR	iii.	Importance of national income with reference to business. Any 8 points 1 mark for each (1 mark * 8)	8
Q.4	i.	Explain how Keynes showed that money wage cut would fail to increase employment.	3
	ii.	Concept of multiplier Assumption of multiplier Working of multiplier with table and diagram	1 mark 1 mark 3 marks
		Criticism of multiplier Leakages of multiplier	1 mark 1 mark
	OR iii.	Classical theory of employment and output. Assumption Determination of income and employment with diagram Criticism of theory	2 marks 1 mark 3 marks 1 mark
Q.5	i.	Definition of walker	3
	ii.	Significance of money Any five points 1 mark for each (1 mark *5) 5 marks What would happen to an economy if money supply suddenly disappeared	7 5 marks 2 marks
OR	iii.	Concept of Cambridge Cash balance Approach of the Quantity theory of money with equation Assumptions Criticism	7 5 marks 1 mark 1 mark
Q.6		Attempt any two:	
	i.	Hawtrey's theory of business cycles. Criticism of theory	4 marks 1 mark
	ii.	Phillips curve. Diagram of concept	4 marks 1 mark
	iii.	Any five features of business cycles. 1 mark for each	5 (1 mark *5)
