

TRIBHUVAN UNIVERSITY
FACULTY OF MANAGEMENT

Office of the Dean
April - May 2017

Full Marks: 60
Time: 3 Hrs.

BIM / Fifth Semester / ECO 202: Macro Economics

Candidates are required to answer all the questions in their own words as far as practicable.

Group "A"

Brief Answer Questions:

[10 × 1 = 10]

1. What are the quantitative instruments of monetary policy?
2. Write any two differences between Nominal GDP and Real GDP.
3. What are the components of MEC?
4. What types of economic values are used to compute rate of inflation?
5. What are the components of product method?
6. Derive government expenditure multiplier.
7. Define wage push Inflation.
8. State three core values of economic development.
9. What are the types of unemployment?
10. Write any two implications of Say's law of market.

Group "B"

Short Answer Questions:

[6 × 5 = 30]

11. Explain the prosperity phase of trade cycle.
12. What is fiscal policy? Explain its significance with reference to developing countries like Nepal.
13. What is exchange rate? How is it determined under demand-supply approach?
14. How is NI determined under four sector economy?
15. Discuss the psychological law of consumption function.
16. Describe the concept of macro-dynamics.

Group "C"

Comprehensive Answer Questions:

[2 × 10 = 20]

17. (a) Suppose that Nepalese economy has realized following structural equations for the product and money markets in 2016.
 $C = 200 + 0.75(Y - T)$, $T = 160 + 0.2Y$, $M_t = 0.5Y$, $M_{sp} = 200 - 4000i$, $I = 200 - 2000i$,
 $G = \text{Rs } 200 \text{ billion}$, $M_s = \text{Rs } 400 \text{ billion}$.
(i) Compute equilibrium output and rate of interest.
(ii) What will be the simultaneous effect on equilibrium output and rate of interest when Government increased its planned expenditure by Rs 200 billion and NRB increased money supply by Rs 200 billion?

- (b) Consider the following figures of national income aggregates and compute NI by both income and expenditure methods and compare the results.

Description	Amount in million
Proprietor's income	4600
Exports	800
Imports	1500
Compensation to employees	4500
Net capital formation	2200
Private consumption expenditure	8500
Net Interest	1200
Indirect taxes	1500
Government Investment expenditure	2800
Net receipts from abroad	800
Capital Consumption Allowance	500
Subsidies	700
Government consumption expenditure	1200
Mixed income of self employed	700
Corporate profits	1800
Rental income	400

18. Due to worldwide flow of globalization and liberalization multinational companies are expanding business around the world according to nature and strategy of their business. The government of Nepal also induced from this movement and framed its macroeconomic policies with guiding principles of liberalization, privatization and globalization (LPG) in order to achieve the economic prosperity. Nepal has got the membership of WTO in 2004. The policy helped to create a substantial business environment to endorse considerable foreign direct investment (FDI). Walmart, a leading company on retail business based in the US-acknowledging the macroeconomics policy of Nepal-is interested to explore the possibilities to establish its business venture. A company that wants to establish in a new business environment must be aware of macroeconomic environment in the prospective zone. Macroeconomics offers concepts, theories and policies to predict the future courses of business environment. Hence, Walmart too needed to comprehend the knowledge of macroeconomics in order to meet its strategies.

- Is it necessary to use knowledge of macroeconomics to the Walmart to assess the nature and extent of business environment of Nepal? Give reasons.
- Do you agree that globalization solves the problem of unemployment, low productivity and disequilibrium in BOP faced by Nepal? Give your critical comments.

