

TRIBHUVAN UNIVERSITY
FACULTY OF MANAGEMENT
 Office of the Dean
 2016

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. Write any four components of scope of macroeconomics.
2. Prepare a list of components of GDP_{MP} according to product method.
3. State the relationship between MPC and multiplier.
4. Write the significance of MEC in business decision-making.
5. What is the main cause of unemployment according to classical theory of employment?
6. Name the economic values that are used to compute rate of inflation.
7. Write any four characteristics of trade cycles.
8. State the types of budgetary policy.
9. What are the quantitative instruments of monetary policy?
10. What are the core values of economic development?

Group "B"

Short Answer Questions:

[6 × 5 = 30]

11. Explain the concept of circular flow of income and expenditure in a two sector economy.
12. Describe the psychological law of consumption function.
13. What is four sector economy? How is NI determined under it?
14. What is fiscal policy? Explain its significance in least developed countries like Nepal.
15. Explain the principle of demand-pull inflation. How does it differ from cost push inflation?
16. Explain the role of technological progress in economic growth.

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 2015.
 $C = 400 + 0.75(Y - T)$, $T = 320 + 0.2Y$, $M_t = 0.5Y$, $MSP = 400 - 5000i$, $I = 400 - 4000i$, $G = Rs\ 800\ billion$, $M_s = Rs\ 1200\ billion$.
 - (i) Compute equilibrium output and rate of interest.
 - (ii) What will be the simultaneous effect on equilibrium output and rate of interest when Government of Nepal (GON) has implemented contractionary fiscal policy and decreased its planned expenditure by Rs 400 billion. NRB has also supported to GON and decreased money supply by Rs 400 billion with the view of controlling inflation? Give your comment.

- (b) Consider the following data for national accounts and compute NNP_{MP} by both income and expenditure method.

Description	Rs in Billion
Indirect Business Taxes	36,000
Imports	26,000
Government Investment	36,000
Net fixed Investment	108,000
Payments to Rest of the World	16,000
Exports	14,400
Wages and Salaries	440,000
Proprietor's income	60,000
Government Consumption	60,000
Receipts from Rest of the World	8,000
Consumption	529,600
Changes in Stocks	-4,000
Subsidy	16,000
Rent	18,000
Interest	30,000
Mixed income	20,000
Employer's contribution to Social Security	30,000
Corporate Income	100,000
Consumption of Fixed Capital	32,000

18. Due to the worldwide flow of liberalization and globalization, multinational companies (MNCs) are expanding business around the world according to nature and strategy of their business. The companies choose to go multinational mainly with the view of reducing costs and achieving business growth. Most of the least developed countries are facing the problems of resource gap, trade gap, revenue-expenditure gap, debt burden, etc. In order to overcome these problems, these countries also have been framing their macro-economic policies with the view of attracting foreign direct investment.

The managers of MNCs have to take business decisions under the condition of risk and uncertainty, due to the causes like uncertain behavior of the market forces, changing business environment, emergence of competitor with highly competitive products, government policy and international factors imparting the market of host countries. The complexity of the modern business world adds complexity to business decision making. It is thus, necessary to assess issues related to business environment of host countries and to find solutions to practical business problems.

In this reference, answer the following questions.

- How do managers of MNCs assess the macro-economic environment of their investment destination countries?
- 'Foreign direct investment made by MNCs can be good for host countries seeking to grow and prosper'. Give your critical comment.

