

TRIBHUVAN UNIVERSITY
FACULTY OF MANAGEMENT
Office of the Dean
2015

Full Marks: 60
Time: 3 Hrs.

BIM / Fifth Semester / ECO 202: Macro Economics

Candidates are required to give their answers in their own words as far as practicable.

Attempt ALL questions

Group "A"

Brief Answer Questions:

[10 × 1 = 10]

1. Macroeconomics is also called income and employment theory. Why?
2. Prepare a list of types of unemployment.
3. Derive LM curve (or equation) mathematically.
4. What are the leakages of multiplier?
5. What is meant by acceleration coefficient?
6. Capital gains are excluded from GDP. Give reason in one sentence.
7. What are the modalities of privatization?
8. What are the sources of deficit financing?
9. Value-added method avoids double counting. Why?
10. Point out any two fiscal measures that help to reduce BOP deficit.

Group "B"

Short Answer Questions:

[6 × 5 = 30]

11. What is macroeconomics? Explain its uses.
12. Explain the Say's Law of Market. What are its implications?
13. Derive IS curve.
14. What is monetary policy? Explain its objectives.
15. What are the opportunities of foreign direct investment in reference to developing countries like Nepal?
16. Explain the prosperity phase of trade cycles.

Group "C"

Comprehensive Answer Questions:

[2 × 10 = 20]

17. Consider the following consumption schedule and answer the following questions:

[3+4+3]

	Rs in million					
Period:	2009	2010	2011	2012	2013	2014
Yd:	0	1000	2000	3000	4000	5000
C:	---	---	2000	---	---	---
S:	---	---	---	---	---	---

- a. Let, $MPC = 0.8$. Complete the table and derive linear consumption and saving functions.
- b. Using schedule, explain three proposition of psychological law of consumption function.
- c. Let, planned investment = Rs 400 million. Compute equilibrium income. What will be the new equilibrium income when planned investment increases by Rs 600 million? Is it consistent when it is computed through investment multiplier?
18. (a) Consider the following figures for national income accounts and compute NNP_{3P} by both income and expenditure method. [2.5+2.5]

Description	Rs in Billion
Indirect business taxes	2,700
Imports	1,500
Government Investment	2,250
Net fixed capital formation	8,100
Net receipts	-600
Exports	1,080
Wages and salaries	33,000
Proprietor's Income	4,500
Government consumption	4,500
Personal consumption expenditure	39,720
Changes in inventories	-300
Government subsidies	1,200
Rental income	1,350
Business interest payments	2,250
Dividends	2,700
Mixed income of self employed	1,500
Social security contribution by employer	2,250
Corporate profit	7,500
Direct taxes	1,395
Current transfers	12,000
Undistributed profit	3,000
Depreciation	2,400
Social security contribution	10,200

- (b) Consider the given information about national income accounting and answer the following questions. [1+2+2]

Year	Nominal GDP	GDP deflator (Base Year = 2008)
2009	22,000	102
2010	23,797	105
2011	25,777	110
2012	27,999	114
2013	29,222	119
2014	32,400	128

- Interpret what a GDP deflator of 128 for the year 2014 means as compared to this year to base year 2008.
- Determine whether or not inflation occurred over the 2009-2014 period.
- Distinguish between demand pull inflation and cost push inflation.

