

2024

BUSINESS ADMINISTRATION — HONOURS

Paper : BBAA-202-M2

(Macroeconomics)

Full Marks : 75

The figures in the margin indicate full marks.

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

Group - A

1. Answer *any ten* questions from the following :

2×10

- (a) What is broad money?
- (b) Explain the concept of managed float.
- (c) Consider a Keynesian linear consumption function and show that $APC + APS = 1$.
- (d) What is meant by 'value added' in the context of National Income analysis?
- (e) Given a consumption function as $C = 100 + 0.6Y$. Then calculate MPC and MPS.
- (f) What is marginal efficiency of capital?
- (g) Distinguish between Balance of Trade and Balance of Payment.
- (h) What is the relation between the Money Supply and Required Reserve Ratio?
- (i) What are the positions of consumption and saving lines if $MPC > MPS$?
- (j) Explain the relationship between government expenditure multiplier and MPC.
- (k) How will LM curve be affected when the money supply increases?
- (l) What do you mean by perfect capital mobility?
- (m) What is the short-run Phillips Curve?
- (n) What is Induced Investment?
- (o) How are interest rates and speculative demand for money related?
- (p) Mention two direct measures to control inflation.

Please Turn Over

Group - B

2. Answer *any five* questions from the following :

- (a) What is High powered money? Explain the relationship between high-powered money and money supply through money multiplier. 5
- (b) Given the consumption function $C = ₹ 200 + 0.80Y_d$. If the amount of direct tax imposed by the government is increased from ₹ 60 to ₹ 100, then examine the impact on the level of National income. 5
- (c) Define Inflation. Diagrammatically explain Demand-Pull inflation. 2+3
- (d) Explain the concept of deflationary gap. State Say's Law of Market. 2+3
- (e) Explain neutrality of money in classical model. 5
- (f) (i) What is the difference between intermediate goods and final goods and services?
(ii) What is natural rate of unemployment? 2+3
- (g) Define the concept of inflow and outflow of economic variables in circular flow of income in case of three sector economy. 5
- (h) 'The balance of payment always balances itself.' — Examine the statement. 5

Group - C

3. Answer *any three* questions from the following :

- (a) (i) How does Cambridge version of quantity theory explain the relationship between the quantity of money and the price level in the economy?
(ii) If the consumption function is given by $C = 80 + 0.2Y$ and the investment function is expressed as $I = 40 - 200r$, then find the equation of commodity market equilibrium. What will be shape of the resulting curve obtained from the equation? 5+(3+2)
- (b) Within a Mundell Fleming model assuming imperfect capital mobility, analyse the effect of the following policy for flexible exchange rate diagrammatically :
(i) A decline in money supply from M_0 to M_1
(ii) A decrease in Government expenditure from G_0 to G_1 5+5
- (c) Find (i) IS and LM function (ii) equilibrium National Income (iii) equilibrium rate of interest :
Consumption function : $C = 150 + 0.8Y$;
Investment function : $I = 40 - 2r$;
Real money supply : $M_s = 100$
Read demand for money : $M_d = 0.5Y + 50 - 20r$ 4+3+3

- (d) (i) How is Personal Income measured in national income accounting?
(ii) Calculate GNP at market Price.

Particulars	Currency (in ₹)
NNP at factor cost	4,73,246
Depreciation	61,809
Subsidies	19,431
Net factor income from abroad	– (6,833)
Personal Income Tax	9,759
Indirect Taxes	87,043
Corporate Taxes	7,300
Retained Profit	6,758

2+8

- (e) Explain the concept of crowding out effect. Define Balanced Budget multiplier. Show that the value of balanced multiplier is unity when investment is autonomous. 2+2+6
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