

Mid-West University  
Examinations Management Office  
Surkhet, Nepal  
End-Semester Examinations-2081  
Bachelor of Business Studies (BBS)  
Semester - II

Subject: Macro Economics

Course Code: MGMT 422/322

Full Marks: 60 Pass Marks: 30

Time: 3: 00 Hours

*You are required to answer in your own words as far as applicable. Figures in the margins indicate full marks.*

**SECTION A: VERY SHORT ANSWER QUESTIONS (11-10 MARKS)**

Answer **ALL** the questions.

1. Why is macroeconomics called theory of income and employment?
2. Calculate gross domestic product when total product of primary sector is Rs. 1500 million, total product of secondary sector is Rs. 2500 million and total product of tertiary sector is Rs. 2000 million.
3. What is the main cause of unemployment according to Keynes?
4. Calculate the coefficient of multiplier with the given consumption function;  $C = 100 + 0.70Y$ .
5. What do you mean by tax multiplier?
6. Define consumption with appropriate formula.
7. If the money demand  $M_d = 0.3Y - 5i$  and money supply  $M_s = 150$ . What will be the LM equation?
8. What do you mean by wage induced inflation?
9. State the meaning of expansionary monetary policy.
10. List any two important instruments of fiscal policy.

**SECTION B: SHORT ANSWER QUESTIONS (3-24 MARKS)**

Answer any **THREE** questions.

11. Define macroeconomics. What are the uses of macroeconomics for economic development of a country?
12. Explain the concept of a two sector economy. Compute the equilibrium national income and consumption with the given structure equation of two sector economy:  
 $C = 2500 + 0.4Y$   
 $I = 500$  billion
13. Explain the labour market equilibrium of classical theory of employment
14. What is meant by Investment-Saving (IS) curve? Derive IS curve graphically.
15. Define deficit financing. Discuss the major objectives of deficit financing.

**SECTION C: LONG ANSWER QUESTIONS (2-25 MARKS)**

Answer any **TWO** questions.

16. Define consumption function. Discuss the determination of consumption function.
17. Define expenditure method of national income accounting. Calculate the GDP, GNP, NNP, NI, PI, DI, PCI and PS with the help of following information;

S.N	Items	Amount (Rs in million)
1	Exports	5000
2	Indirect taxes	8000
3	Government expenditure	50000
4	Imports	25000
5	Subsidies	3000
6	Depreciation	4000
7	Gross private consumption expenditure	70000
8	Gross private domestic investment	40000
9	Undistributed Corporate Profit	6000
10	Corporate Income Tax	12000
11	Net factor income from abroad	10000
12	Social Security Contribution	7000
13	Transfer Payment	8000
14	Direct tax	15000
15	Population	25

18. Explain the demand pull and cost push inflation. What are the causes of demand rising and cost rising factors?

**THE END**