Subject: Macro Economics   Course Code: MGMT 322
Full Marks: 100   Time: 3 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 (10X 2 = 20 MARKS)

*Answer **ALL** questions.*

Q1.   Write any two differences between micro and macro economics.
Q2.   Find the equilibrium wage and working hours (w) in labour market with the help of following equations;
         DL = 500 - 5w and SL = 20 + 10w
Q3.   What is unemployment? What are its types?
Q4.   Write down any two main propositions of classical theory of employment.
Q5.   Compute the equilibrium level of income and consumption from the following equations;
         Consumption function (c) = 200 + 0.6Y and autonomous investment (I) = 400
Q6.   Define marginal propensity to consume (MPC) and average propensity to consume (APC).
Q7.   Show the graphical sketch of comparative macro static.
Q8.   Distinguish between inflation and deflation.
Q9.   List any four characteristics of business cycle.
Q10.   What is meant by fiscal policy?

SECTION B: SHORT ANSWER QUESTIONS (6 X 8 = 48 MARKS)

*Answer any **SIX** questions.*

Q11.   Define macroeconomics. Discuss the use of macroeconomics in business decision making.   [2+6]
Q12.   Consider the following hypothetical national income data.

Items	(Rs. in millions)
Private consumption expenditure	10,000
Gross private investment	2,000
Government expenditure	1,000
Export	500
Import	1,500
Depreciation	900
Net factor income from abroad	4,000
Indirect taxes	2,000
Subsidies	1,000

Required:

   a) Calculate GDP at MP   b) Calculate GNP at MP   c) Calculate NNP at MP   [8]

Q13.   Analyze and illustrate the circular flow of income and expenditure in three sector economy.   [8]
Q14.   Explain the concept of investment multiplier. What are its leakages? Discuss.   [2+6]
Q15.   The saving function of an economy is estimated to be S = -20+0.2Y where income, saving and investment are measured in billion. Autonomous investment in the economy is 100 billion.
   a) Find the equilibrium level of income, consumption and saving.   [3]
   b) If saving increased by 10 billion, what is the new level of equilibrium income, consumption and saving?[3]
   c) Dose it reflect the notion of paradox of thrift?   [2]
Q16.   What is trade cycle? Explain the different phases of trade cycle.   [2+6]
Q17.   Explain the role of central bank to run the economic system.   [8]
Q18.   Define budget. How budget is formulated in Nepal?   [2+6]

SECTION C: LONG ANSWER QUESTIONS (2 X 16 = 32 MARKS)

*Answer any **TWO** questions.*

Q19.   Explain the Keynesian theory of employment with its assumptions. What are its criticisms?   [12+4]
Q20.   Analyze the Hicks and Hansen model of income determination with the help of IS-LM approach.   [16]
Q21.   What is inflation? Describe the various effects of inflation for economic development of Nepal.   [3+13]

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