

Mid-West University
Examinations Management Office
 Birendranagar, Surkhet
 End Semester (Alternative/Physical) Examination-2078
 Bachelor of Business Studies (BBS)
 Semester - II

Subject: Macro Economics
 Full Marks: 60 Pass Marks: 30

Course Code: MGMT 322
 Time: 3 Hours

You are required to answer in your own words as far as applicable.

Attempt all of the following Questions:

6×10=60

1. “Define macroeconomics. What are the common issues of macroeconomic analysis? Discuss. [2+8]
2. I) In a hypothetical economy, consider the following figures for national income accounts and compute GNP mp, personal income, Disposable income and personal saving. [4+2+1+1]

Items	Rs in Million
Government consumption Expenditure	7500
Indirect business taxes	1500
Net Capital formation of private sector	7000
Personal consumption Expenditure	25000
Corporate Profits	8000
Subsidies	1000
Capital consumption allowances	4000
Exports	2500
Corporate income taxes	2000
Net factor income from abroad	5000
Social insurance payments	1500
Direct tax	2000
Imports	4000

II) Distinguish between GDP at MP and GDP at FC. [2]

3. State the psychological law of consumption. Explain the factors that determine Keynesian consumption function. [3+7]

OR

Keynesian theory of income and employment is practical and logical theory than classical theory of income and employment. Compare and interpret Keynesian theory of income and employment with classical theory of income and employment. [10]

4. I) “Saving is vice not virtue” elaborate this statement as paradox of thrift. [5]

II) Let, initial saving and investment functions are;

$$S = 200 + 0.4Y \text{ and}$$

$$I = 120 + 0.2Y$$

- a) Compute equilibrium level of income, saving and investment. [2]
- b) What will be the effect on equilibrium income, saving and investment when saving increases by 60? [2]
- c) Does it satisfy the concept of paradox of thrift? [1]

5. What are the different causes of inflation in the context of Nepal? Discuss the remedial measures to control inflation of Nepalese economy. (5+5)

OR

Explain the IS-LM model of product market equilibrium and money market equilibrium with a two sector economy. Also elaborate the impact of fiscal policy in IS Lon model. [5+5]

6. Define fiscal policy. Discuss the objectives of fiscal policy to promote the economy of developing country like Nepal. [2+8]

The End