Mid-West University
Examinations Management Office
Surkhet, Nepal
End-Semester Examination-2080
Bachelor of Business Studies (BBS)
Semester - II

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

Course Code: MGMT 422/322
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 (10 X 1 = 10 MARKS)

Answer **ALL** the questions.

1. Mention any two applications of macroeconomics in business decision making.
2. What do you mean by net national product?
3. List out the two difficulties of national income accounting.
4. Write two major assumptions of Say's law of market.
5. The equilibrium national income is 8000 million where the consumption function $C = 1200+0.6Y$ what will be the total consumption and saving?
6. Why is MPC of poor people greater than the MPC of rich people?
7. Show the general equilibrium with the help of IS-LM approach.
8. What do you mean by deflation?
9. Which one of the government institutions of Nepal got the monopoly authority to issue the paper money and when it was established?
10. Define fiscal policy in short.

SECTION B: SHORT ANSWER QUESTIONS (3 X 8 = 24 MARKS)

Answer any **THREE** questions.

11. Define macroeconomics. Illustrate the different types of macroeconomics analysis. [3+5]
12. What do you mean by national income? Calculate the GDP, GNP, NI, PI and DI with the help of following information; [1+3+1+1+1+1]

Items	Amount (Rs in million)
Rental Income	1600
Wages and Salaries	5000
Mixed Income	8000
Capital Interest	2000
Business Profit	2500
Depreciation	3500
Net indirect Taxes	5500
Undistributed Corporate Profit	500
Corporate Income Tax	1000
Net factor income from abroad	2500
Social Security Contribution	800
Transfer Payment	700
Personal Tax	300

13. Explain the Keynesian psychological law of consumption with an appropriate schedule and figure. [8]
14. What is budget? Elaborate the different components of budget. [3+5]
15. Define monetary policy and describe the major objectives of monetary policy to stabilize the economy. [3+5]

*Answer any **TWO** questions.*

16. Explain the Keynesian theory of employment. What are its criticisms? [10+3]

17. State the income determination in four sector economy. Suppose that the structure equation of four sector economy with following behavioral equation:

$C = 250 + 0.6Yd$ $T = 60$

$I = 300$ $G = 500$

$X = 100$ $M = 50 + 0.5Y$

    a. Compute the equilibrium national income. [6]

    b. Calculate the investment and import multiplier. [4]

    c. Show the situation of trade balance of the economy. [3]

18. What do you mean by inflation? Explain the remedies measures of inflation with fiscal and monetary policy. [3+5+5]

THE END

Macro