

2022

**BUSINESS ADMINISTRATION — HONOURS**

**Paper : BBA-A 402-C-9**

**(Macro-Economics)**

**Full Marks : 80**

*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 five* questions from the following : 2×5
- (a) Distinguish between gross value added and net value added.
  - (b) What would be the value of investment multiplier if Marginal Propensity to Consume (MPC) and Marginal Propensity to Save (MPS) are equal?
  - (c) What adjustments are required to arrive at Net National Product at market price from Gross Domestic Product at factor cost?
  - (d) Define flexible exchange rate.
  - (e) What do you mean by velocity of money?
  - (f) "Low rate of inflation is good for the economy"— Give comments.
  - (g) What would be the shape of IS curve when investment is interest insensitive?
  - (h) If autonomous consumption expenditure is equal to ₹ 500; and 60 per cent of extra income is consumed, then derive the equation of linear consumption function.

**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. 1+3
  - (b) In an economy with every rise in National Income, 20 per cent of the increased income is saved and autonomous consumption expenditure is ₹ 100 Cr. and  $\bar{I} = ₹ 500$  Cr. :
    - (i) Calculate, equilibrium level of National Income.
    - (ii) Suppose, 30 per cent of the extra income is saved now, then calculate the new equilibrium level of National Income. 2+2
  - (c) Define Inflation. Graphically, discuss Demand-Pull Inflation (DPI). 1+3
  - (d) Define and derive IS curve. 1+3

**Please Turn Over**

- (e) Discuss the short-run and long-run phillips curve in the context of inflation. 2+2
- (f) How do you derive linear savings function from the linear consumption function in the Keynesian framework? 4
- (g) Define GDP deflator. Distinguish between real GDP and nominal GDP. 2+2
- (h) Graphically, explain inflationary gap. How do you remove the gap? 3+1

**Group - C**

Answer *any five* questions from the following.

3. (a) Consider three sectors economy with Government Expenditure ( $G_0$ ) and lump-sum taxes ( $T_0$ ). Now, suppose, Government raises its expenditure from  $G_0$  to  $G_1$ , then explain the impact of rise in Govt. expenditure on equilibrium level of National Income in Keynesian framework (all other standard assumptions of Keynesian macro economic framework are needed to be assumed).
- (b) Now suppose that Government is financing its extra expenditure by raising lump-sum tax revenue collection by equal amount, i.e.  $\Delta G = \Delta T$  ( $\Delta$  means change); then show that the value of balanced budget multiplier has come out unity. 6+4
4. Calculate (i) National Income (ii) Personal Disposable Income from the following information : 5+5

GDP	₹ (Crores)
MP	6,000
Receipts of factor income from rest of the world	150
Payments of factor income to rest of the world	225
Depreciation	800
Indirect taxes minus subsidies	700
Corporate profits	1,200
Dividend	600
Transfer payments to persons	1,300
Personal taxes	1,500

5. (a) Examine the relationship between the quantity of money and the general price level of an economy using any version of the Quantity Theory of Money (QTM).
- (b) Discuss the several measurements of measuring money supply. 7+3
6. What are the major determinants of output and employment in the classical system? What role does aggregate demand have in determining output and employment? 5+5

7. Within the Mundell-Fleming model assuming imperfect capital mobility, analyse the effects of the following policy actions for both the fixed and flexible exchange rate cases :
- (a) A decline in the money supply from  $M_0$  to  $M_1$
  - (b) A decrease in government spending from  $G_0$  to  $G_1$ . 5+5
8. How do you explain relative effectiveness of expansionary monetary policy on output and interest rate using graph, (given the same fiscal policy)? 10
9. (a) How do you determine equilibrium level of National Income in Keynesian framework? Check and comment about the stability of the said equilibrium.
- (b) How monetary policy is used to arrest inflation? (4+2)+4
10. (a) Discuss the impact of expansionary fiscal policy on equilibrium level of National Income ( $y$ ) and interest rate ( $r$ ) in IS-LM framework.
- (b) How do you neutralize the effects of crowding out, arising from expansionary fiscal policy through the policy mix in IS-LM framework? 5+5
-