

M.E.S. COLLEGE OF ARTS & COMMERCE, ZUARINAGAR - GOA
B.A. (CBCS) III SEMESTER END (REGULAR/REPEAT) EXAMINATION, JANUARY 2022
CC - ECONOMICS - MACROECONOMICS-I (ECC 103)

Duration: 02 Hours

Total Marks: 80

Instruction:

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- i) All questions are compulsory, however internal choice is available.
- ii) Answer sub-questions in Question No. 1 and Question No. 2 in about 100 words.
- iii) Answer Question No. 3 to Question No. 6 are in about 400 words.
- iv) Figures to the right indicate marks assigned to each question/sub-question.
- v) Draw diagrams wherever necessary.
- vi) The use of simple calculator is permitted.
- vii) Paper carries a maximum of 80 marks.

Q. 1. Answer Any Four of the following: (4 X 4 =16)

- (a) Explain any two limitations of the GDP concept.
- (b) What is meant by double counting?
- (c) Explain the concept of dissaving.
- (d) From the following data, calculate national income by using the value added method.

Sr. No.	Items	Rupees in crores
1.	Intermediate consumption	
a.	Primary sector	600
b.	Secondary sector	500
c.	Tertiary sector	200
2.	Value of output of	
a.	Primary sector	1200
b.	Secondary sector	1000
c.	Tertiary sector	800
3.	Net factor income from abroad	-20
4.	Consumption of fixed capital	30
5.	Net indirect taxes	20

- (e) In an economy, investment expenditure increases by ₹ 1000 crore and MPC is 0.6. What is the value of the multiplier? Calculate the total increase in income and consumption expenditure.
- (f) What is a consumption function?

Q. 2. Answer Any Four of the following: (4 X 4 =16)

- (i) What is the government spending multiplier?
- (ii) Explain the components of the current account of the balance of payments.

- (iii) What is a discretionary fiscal policy?
- (iv) What is bank rate policy?
- (v) What is the speculative demand for money?
- (vi) Explain the primary functions of money.

Q. 3. a) Explain the major macro-economic issues addressed by economists. (12)

OR

b) Differentiate between Gross Domestic Product (GDP) and Gross National Product (GNP). (12)

Q. 4. a) Explain the determination of equilibrium GDP in a two-sector economy. (12)

OR

b) The following data on Country Z is given:

- (1) Consumption function: $C = 200 + 0.75 Y$
- (2) Investment function: $I = 100$
- (3) $AE = C + I$
- (4) $AE = Y$

(i) Calculate the equilibrium level of income for Country Z.

(ii) What is the MPC in country Z and what is the MPS?

(iii) Graph equations (3) and (4).

(iv) What is the value of the multiplier?

(v) Suppose investment increases to $I^1 = 150$. What is the new equilibrium level of income? By how much does the ₹ 50 increase in planned investment change the equilibrium income? (12)

Q. 5. a) Examine the role of government expenditure and taxes in a three-sector economy. (12)

OR

b) Examine the Keynesian model of determination of equilibrium GDP in a three-sector economy with the help of the Keynesian cross. (12)

Q. 6. a) Examine the Quantity theory of money. (12)

OR

b) Explain the process of credit creation by banks. (12)