



# BRAINWARE UNIVERSITY

Term End Examination 2023-2024

Programme – BBA-2022

Course Name – Macroeconomics

Course Code - BBAC301

( Semester III )

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Brainware University  
Barasat, Kolkata - 700125

Full Marks : 60

Time : 2:30 Hours

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

## Group-A

(Multiple Choice Type Question)

1 x 15=15

1. Choose the correct alternative from the following :

- (i) Classical economists believed that wages should be determined by
- |  |                           |
|--|---------------------------|
| a) Labor unions                          | b) Government regulations |
| c) Supply and demand in the labor market | d) A fixed minimum wage   |
- (ii) Choose the correct answer: what is the H theory of the money multiplier primarily concerned with?
- |                               |                           |
|-------------------------------|---------------------------|
| a) Money supply stability     | b) Fiscal policy analysis |
| c) Trade balance optimization | d) Labor market dynamics  |
- (iii) Identify the correct answer: Consumption expenditure is primarily influenced by
- |  |                                  |
|--|----------------------------------|
| a) Government policies and regulations | b) Business investment decisions |
| c) Consumer income and wealth          | d) Foreign exchange rates        |
- (iv) Identify from the following that would lead to an increase in aggregate demand
- |                                      |                                      |
|--------------------------------------|--------------------------------------|
| a) A decrease in government spending | b) A decrease in consumer spending   |
| c) An increase in net exports        | d) A decrease in business investment |
- (v) Define the meaning of Gross National Product (GNP)
- |   |  |
|---|--|
| a) The total value of all goods and services produced within a country's borders. | b) The total income earned by a country's residents, regardless of where they are located. |
| c) The total value of exports minus imports.                                      | d) The total value of all goods and services produced by a country's residents.            |
- (vi) Cite the underground economy, which includes illegal activities and unreported income, is typically
- |  |  |
|--|--|
| a) Included in the official calculation of GDP | b) Excluded from the official calculation of GDP |
| c) Included in the calculation of GNP          | d) Excluded from the calculation of NNP          |
- (vii) Name the concept that Classical economists believe
- |                             |                                  |
|-----------------------------|----------------------------------|
| a) Laissez-faire capitalism | b) Centralized economic planning |
|-----------------------------|----------------------------------|

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- c) Command economy  
 d) Welfare state
- (viii) Select the correct option: If the government reduces taxes while keeping government spending constant in the IS-LM model, this action will most likely
- a) Shift the IS curve upward  
 b) Shift the IS curve downward  
 c) Shift the LM curve upward  
 d) Shift the LM curve downward
- (ix) Trace the example of a transfer payment
- a) Salary earned by an employee  
 b) Rent paid by a tenant  
 c) Social security benefits  
 d) Price paid for a new car
- (x) The IS-LM model is used to interpret the effects of changes in
- a) The price level  
 b) Exchange rates  
 c) Fiscal and monetary policy  
 d) Consumer preferences
- (xi) Select the correct option: The central idea of the Keynesian theory is that during a recession, the government should:
- a) Reduce government spending to control inflation  
 b) Increase taxes to boost aggregate demand  
 c) Decrease the money supply to encourage saving  
 d) Increase government spending to stimulate demand
- (xii) Identify that branch of economics where the multiplier effect is a key concept
- a) Microeconomics  
 b) Macroeconomics  
 c) Behavioral economics  
 d) Environmental economics
- (xiii) According to the classical theory of employment, choose from the following that is likely to lead to inflation.
- a) An increase in government spending  
 b) A decrease in aggregate supply  
 c) An increase in wages due to labor union activity  
 d) A decrease in the money supply
- (xiv) Net National Product (NNP) is calculated by subtracting
- a) Depreciation from Gross National Product (GNP)  
 b) Indirect taxes from Gross Domestic Product (GDP)  
 c) Imports from Gross National Product (GNP)  
 d) Government spending from Gross Domestic Product (GDP)
- (xv) Choose which of the following is considered a leakage from the circular flow of income in an economy
- a) Government spending  
 b) Investment  
 c) Exports  
 d) Savings

**Group-B**

(Short Answer Type Questions)

3 x 5=15

2. Describe the Classical Theory of Interest Rate. (3)
3. State the relationship between saving and investment in equilibrium income determination. (3)
4. Explain briefly the relationship between interest rates and investment in a closed economy. (3)
5. Explain the concept of Marginal Propensity to consume and Autonomous Consumption. (3)
6. Analyze the consequences of high inflation on a country's economy and financial well-being. (3)

OR

- Analyze the significance of the reserve ratio (RR) in the H theory of money multiplier. (3)

**Group-C**

(Long Answer Type Questions)

5 x 6=30

7. Explain the difficulties of barter system (5)
8. Analyze different measures of money supply (5)
9. Discuss the instruments of Monetary policy used to control inflation (5)

- 10. Distinguish between Monetary Policy and Fiscal Policy (5)
- 11. Explain the derivation of the LM curve with proper diagram (5)
- 12. Distinguish between demand pull inflation and cost push inflation. (5)

OR

Summarize the causes of disequilibrium in balance of payment (5)

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