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Shree Damodar College of Commerce & Economics, Margao-Goa

BBA(FS), Semester- II (REGULAR) Semester End Assessment June 2022

Macroeconomics (CC6)

Duration: 2 hours **Maximum Marks: 60**

Instructions:

1) **Start each question on fresh page.**
2) **Figures to the right indicate maximum marks.**

Q1. Write short notes on any 5 out of the following 6 questions. (05x04=20)

a) Why are only final goods included in the calculation of national income under product method? Explain.
b) Explain the problem of double co-incidence of wants under the barter system of trade. How was it solved?
c) Differentiate between productive and non-productive debt in short.
d) What do you mean by revenue expenditure? Explain in detail with examples.
e) The government can control the supply of money through its fiscal policy. Do you agree with this statement? Explain your reasons.
f) Explain the concept of GDP accelerator.

Answer any 4 from Q2 to Q6.

Q2. If the total cash deposits in an imaginary economy are Rs. 1,00,000/-, and the Cash Reserve Ratio is 20%, how much money supply can be created by the banking system in the form of loans? Illustrate the process. Also show how this money supply can be increased. (10)

Q3. Suppose there exists a closed economy comprising of an iron producer, a steel manufacturer, a metal sheet maker, and a cupboard manufacturer. Iron producer makes iron and sells it to the steel manufacturer. Steel maker makes steel from the iron and sells it to a metal sheet maker, who sells his metal sheets to a cupboard maker. The cupboard maker sells his produce in open market to consumers.Assuming that:

1. All the output produced is sold and used during the same period. (10)
2. Iron Producer uses no inputs.

Calculate the national income of this economy with the income method and expenditure method, and explain your calculation.

Producer	Iron Producer	Steel Manufacturer	Sheet Maker	Cupboard Maker
Value of Output	1,000	2,500	3,000	5,000

Q4. Illustrate the idea of goods market equilibrium with a graph, using the concepts of aggregate demand and aggregate supply. Explain your illustrations. (10)

Q5. What is the difference between an expansionary and contractionary fiscal policy? Under what situations are these policies are implemented? (10)

Q6. Imagine that you are the Economic Advisor to a government. It has been decided that the government needs additional funding, which will be raised by borrowing money. What are the different sources that the government can use, and how do they compare? Which sources would you prefer for your government and why? (10)