PRESIDENCY UNIVERSITY
BENGALURU

GAIN MORE KNOWLEDGE
REACH GREATER HEIGHTS

SCHOOL OF MANAGEMENT   SET B

MID TERM EXAMINATION

Even Semester: 2018-19

Course Code: ECO 102

Course Name: Macro And International Economics

Program & Sem: MBA & II Sem

Date: 26 March 2019

Time: 2 Hours

Max Marks: 40

Weightage: 20%

Instructions:
(i)   Answer all questions and answer to the point
(ii)   Non programmable calculators are permitted

Part A

Answer **all** the Questions. **Each** question carries **four** marks.   (3Qx4M=12)

1. Briefly explain any two macroeconomic variables.

2. What is meant by aggregate demand? What are its components?

3. What is meant by marginal propensity to save (MPS)?

Part B

Answer **both** the Questions. Each question carries **six** marks.   (2Qx6M=12)

4. Explain the four sector model of circular flow of the economy with the help of the diagram

5. Describe the different methods of calculating national income.

Part C

Answer **both** the Questions. Each question carries **eight** marks   (2QX8M=16)

6. In a two sector economy , when the income increase from Rs 500 million to Rs 550 million, consumption increase from Rs300 million to Rs 330 million. The autonomous investment is Rs 200 million.

    a) Calculate the value of MPC and MPS   (2 marks)
    b) State the equation of the consumption function, if the autonomous investment is Rs 200 million.   (2 marks)
    c) Complete the following table and find the equilibrium income level.   (4 marks)

Aggregate Supply(Y)	Consumption(C)	Saving(S)	Investment(I)	Aggregate Demand (C+I)
0				
200				
400				
600				
800				
1000				

7. If Consumption (C) = 200+0.75Y and Investment (I) = 100, Income (Y) = 1100

a) What is the equilibrium income level when there is an increase in investment by 50 million. (4 marks)

b) Find the Investment Multiplier (K) (4 marks)

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(ii) *Non programmable calculators are permitted*

Part A

Answer **all** Questions. **Each** question carries **three** marks.   (4Qx3M=12)

1. Explain the four sector economy with circular flow diagram..

2. Differentiate between gross domestic product (GDP) and gross national product (GNP)

3. Explain the objectives of Fiscal policy and explain two fiscal instruments.

4. a. Explain Transfer payments with example

   b. State whether the following are included or excluded in National Income.

   i) Second-hand goods   ii) Financial transactions (Securities)

   iii) Unemployment compensation   iv) Corporate gifts.

Part B

Answer **both** the Questions. **Each** question carries **six** marks.   (2Qx6M=12)

5. What are the different approaches used to measure national income.

6. a. Discuss the objective factors which influences consumption level.

   b. Find the values of APC & MPC from the table:

Disposable Income (Yd)	Consumption (C)	Average Propensity to consume (APC)	Marginal Propensity to Consume (MPC)
0	50		
100	125		
200	200		
300	275		
400	350		
500	425		

Part C

7. Suppose the following data characterizes a hypothetical macro scenario:

C = 100 +0.8 Y_d,

I = 100, G = 100 (Rupees in crores)

C, I, Y_d are Consumption, Investment and Disposable income.

a. Calculate the equilibrium income of the economy and show graphically the equilibrium income by aggregate demand and aggregate supply.

b. Find out the value for investment multiplier, government multiplier and Interpret.

(6+10)

PRESIDENCY UNIVERSITY
BENGALURU

SCHOOL OF MANAGEMENT

END TERM FINAL EXAMINATION

Even Semester: 2018-19   **Date**: 24 May 2019

Course Code: ECO102   **Time**: 3 Hours

Course Name: Macro and International Economics   **Max Marks**: 80

Program & Sem: MBA & II Sem   **Weightage**: 40%

Instructions:

   (i)   *Read the question properly and answer accordingly.*
   (ii)   *Question paper consists of 3 parts.*
   (iii)   Scientific and Non-programmable calculators are permitted

Part A

Answer **all** the Questions. **Each** question carries **five** marks.   (5Qx4M=20M)

1. Evaluate 'crowding out' theory.
2. Differentiate the role of Commercial banks and Central Bank.
3. What is inflation ?How is it different from stagflation?
4. Explain various phases of a Business Cycle.
5. Explain short run Philips curve with a diagram.

Part B

Answer **all** the Questions. **Each** question carries **ten** marks.   (3Qx10M=30M)

6. Explain the foreign exchange determination under PPP(Purchasing power parity)theory.
7. Two different consumption functions:
    a) Consumption function I: $C = 10 + 0.8Y$
    b) Consumption function II: $C = 10 + 0.7Y$
    In which case is the multiplier larger?
8. Do you think Global Institutions still have a role in world economic order for regional integration? Elucidate.

Part C

Answer **both** the Questions. **Each** question carries **fifteen** marks.   (2Qx15M=30M)

9. How are various monetary instruments used to combat unemployment and inflation?

10. Case Study : Scottish Referendum – People Determine Destiny

Scottish Voters have averted major disruption by rejecting secession .United Kingdom will retain its name and substance of that name .Britain's nuclear armed submarines will continue to operate from the Scottish bases .Britain will lose none of its global power and its changes of staying within the European Union actually go up , with pro-European ,anti-Torry Scots guaranteed to vote against Britain leaving the EU as and when the referendum happens. The Royal bank of Scotland and a host of other large companies will not relocate to London and jack up real estate prices there .Scotish Whisky will continue to flow as readily as it does now .There is a lesson here for the place of local identities in globalizing world. Globalization by creating fairly standardized uniform rules that almost all countries either follow or aspire to follow ,has made national units less significant than they used to be in the fragmented world of the past.Then only strong national governments could enlarge enough territory to make the pursuit of prosperity viable in the region .Now local identities can assert themselves without loss of the conditions that make business and commerce viable.Why do small regions then still stay put as part of large entities ,against which they have severa' grouses?Globalisation creates new economies of scale in things like banking and finance ,in migration,in the generation and utilization of knowledge.Small units will find it impossible to achieve these economies of scale in themselves.The transaction cost of making arrangements that would make these activities viable in small units would outweigh tolerating the nuisance of putting up with large units, At least ,the Scots think so.

a) What are the merits of globalization?
b) Discuss the merit of people's choice on referendum in Scotland
c) Discuss the demerits of people choice on referendum in Scotland
d) Comment on Managers problem of decision making with reference to the case.