



**PRESIDENCY UNIVERSITY  
BENGALURU**

**SCHOOL OF MANAGEMENT**

**MAKEUP EXAMINATION – JAN 2023**

**Course Code:** MBA1008

**Course Name:** Macro Economics for Managers

**Program & Sem:** MBA

**Date:** 23-Jan-2023

**Time:** 09.30 am – 12.30 pm

**Max Marks:** 100

**Weightage:** 50%

**Instructions:**

(i) Read the all questions carefully and answer accordingly.

**Part A [Memory Recall Questions]**

**Answer all the Questions. Each question carries THREE marks.**

**(10Qx 3M= 30M)**

1. Macroeconomics is the study of the behavior of the economy as a whole. List three issues of Macroeconomics. (C.O.No.1-2) [Knowledge]
2. Macroeconomics focuses on four sectors: household, business, government, and the international sector. These four sectors will interact with each other in different ways that involve either the receipt or payment of Income. Based on this draw the four sector circular flow in the economy. (C.O.No.1-2) [Knowledge]
3. The classical economists held that an economy based on laissez-faire principles is always in the state of equilibrium at full employment. Define Say's Law of the market. (C.O.No.1-2) [Knowledge]
4. Transfer payments refer to the flow of money without the reverse flow of goods or services. List three examples of transfer payments in our economy. (C.O.No.1-2) [Knowledge]
5. A national budget is a document containing a preliminary approval plan of public revenue and expenditure in a year. The Finance Minister announces the national budget every year in the month of February. In this context tell the concept of balanced Budget, Surplus budget, and deficit Budget. (C.O.No.3) [Knowledge]
6. The Keynesian consumption theory is based on, what he calls, "a fundamental psychological law". Define the consumption function. (C.O.No.1-2) [Knowledge]
7. The Central bank is an important institution in every country and they perform numerous functions. Based on this mention three basic functions of Central bank. (C.O.No.4) [Knowledge]

8. Autonomous investment is fixed and independent of income. Provide three examples of autonomous investment in our economy. (C.O.No.1-2) [Knowledge]
9. Consumption refers to the purchase of goods and services by individuals or households which firms produce. Based on this define the Marginal propensity to consume and state its range. (C.O.No.1-2) [Knowledge]
10. Aggregate demand is the total demand for goods and services in an economy and aggregate supply is the total quantity of goods and services produced in an economy. Considering this draw the equilibrium point. (C.O.No.1-2) [Knowledge]

### Part B [Thought Provoking Questions]

**Answer all the Questions. Each question carries EIGHT marks. (5Qx8M=40M)**

11. In an economy the total produced goods and services goes to the households, firms, governments and international countries as exports. Based on this explain how GDP of an economy is calculated by the expenditure approach? What are the different components of Expenditure? (C.O.No.1-2) [Comprehension]
12. Fiscal policy refers to the regulation of the level of government spending, taxation, and public debt expenditure. These are the important factors that influence the aggregate output, employment, and prices in the economy. Elaborate on these instruments. (C.O.No. 3) [Comprehension]
13. There are various objective and subjective factors which causes change in the consumption and saving functions. As a result, the consumption level may increase or decrease. In this context, indicate the shift of the consumption and saving function with the following:
- a. small family size
  - b. Increase in Volume of Wealth
  - c. Increase in direct Tax.
  - d. Liberal bank loans for Consumer durables
- (C.O.No. 1-2) [Comprehension]
14. In an economy a large number of transactions take place in the market. Not all of these transactions involve are included in the national product accounting. Keeping this in mind indicate whether each of the following is included or excluded from GDP and the reasons for its inclusion and exclusion.
- a. Non Marketed goods and services
  - b. Export of goods and services
  - c corporate gifts
  - d Unemployment compensations
- (C.O.No. 1-2) [Comprehension]
15. The monetary policy refers to a policy which employs the central bank's control of the supply of money as an instrument for achieving the objectives of the general economic policy. Explain RBI's action regarding Bank rate, Open Market Operations during inflationary situation. (C.O.No. 4) [Comprehension]

### Part C [Problem Solving Questions]

**Answer all the Questions. Each question carries FIFTEEN marks.**

**(2Qx15M=30M)**

16. The following data characteristics the macroeconomic conditions of a hypothetical economy. Suppose we have an economy characterized by the following function.

$$C = 50 + 0.8Y_d$$

$$I = 100 \text{ (cr)}$$

$$G = 75 \text{ (cr)}$$

$$T = 75 \text{ (cr)}$$

- a. Find the equilibrium level of income.
- b. Find the government expenditure and interpret
- c. Find tax multiplier and interpret

(C.O.No. 4) [Application]

17. The following table presents for the economy a hypothetical disposable income and consumption level. Compute the values for Savings, APC, APS, MPC, MPS.

Disposable income (Y <sub>d</sub> )	Consumption (C)	Savings (S)	Average Propensity to Consume (APC)	Average Propensity to Save (APS)	Marginal Propensity to Consume (MPC)	Marginal Propensity to save (MPS)
0	50					
100	125					
200	200					
300	275					
400	350					
500	425					

(C.O.No. 4) [Application]