

END TERM EXAMINATION

SECOND SEMESTER [BBA]– MAY-JUNE 2011

Paper Code: BBA/(B&I)/TTM/MOM104

Subject: Business Economics-II

Time : 3 Hours

Maximum Marks : 75

Note: Attempt one question from each unit. Q.no.1 is compulsory. All questions carry 15 marks each.

- Q1 Comment on **any three** of the following:-
- (a) Why are intermediate goods not included in GNP?
 - (b) Money is different from near-money assets.
 - (c) Measures of money supply by RBI.
 - (d) Circular flow of income in a two sector economy.
 - (e) Keynesian theory of interest is indeterminate.

UNIT-I

- Q2 Discuss the meaning and scope of Macro-economics. Discuss the significance of macro-economic variables in business decision making.
- Q3 How is the equilibrium level of national income determined? Show that both the aggregate demand-aggregate supply approach and saving-investment approach give the same level of equilibrium income.

UNIT-II

- Q4 A given change in autonomous investment will lead to a larger change in income than itself. Why? Explain the process of income propagation with the help of dynamic multiplier.
- Q5 Define autonomous and induced investment. What is the role of marginal efficiency of capital in decision making in respect of investment?

UNIT-III

- Q6 Discuss the concept of Balanced Budget Multiplier. Show that a change in investment financed through lump sum taxation will have an expansionary effect on income.
- Q7 Discuss the Friedman Theory of demand for money. How is it different from Keynesian theory?

UNIT-IV

- Q8 Explain the nature of LM schedule in Keynesian, intermediate and the classical range. Discuss the effectiveness of fiscal and monetary policy in these ranges.
- Q9 Explain the highlights of Recent Monetary Policy of GOI and discuss it will help to reduce inflation in the country.
