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MAHARAJA AGRASEN INSTITUTE OF MANAGEMENT STUDIES

BBA-Gen. and BBA (B&I) : 2nd Semester

Second Internals – April 2012

Business Economics II

Time : 2 Hours

Max. Marks : 40

Attempt all questions. All questions carry equal marks.

Q1. What are the possible withdrawals and injections in an economy. Suppose a country adopts a deficit budgetary policy. How does it affect the size of the circular flow of income and expenditure? 5+5

OR

Distinguish between microeconomics and macroeconomics. Why is the study of macroeconomic theory important for finding solutions to macroeconomic problems related to business decision making? 4+6

Q2. Differentiate between classical and Keynesian's theory of employment. How Keynesian theory is an improvement on the Classical theory of employment. Also elucidate, why Keynesian approach is termed as a short-term approach? 4+4+2

OR

Q3. What is balanced-budget multiplier. Assuming a theoretical model of an economy, prove that the balanced budget multiplier is always equal to unity. 5+5

Q3. What is Keynesian's approach to demand for money? Explain the Keynesian theory of interest rate determination. 5+5

OR

Define Fiscal policy. Discuss its scope in an economy like India. How Fiscal policy can control inflation? 5+3 2+3+5'

Q4. What is the purpose of IS-LM model? Explain the determination of general equilibrium in an economy by applying the IS and LM curves in the two sector model. 5+5

OR

Explain any two of the following:

2x5

- (a) Psychological law of consumption.
- (b) MEC
- (c) Quantity theory of money
- (d) Measures of money supply in India