

Vidya Vikas Mandal's

Shree Damodar College of Commerce & Economics, Margao-Goa

FYBBA (FS), Semester II, Semester End Assessment, Repeat November 2023

BFS CC 6: Macroeconomics

Duration: 2 Hours

Maximum Marks: 60

Instructions:

- 1) Start each question on fresh page.
- 2) Figures to the right indicate maximum marks.
- 3) Question Number 1 is compulsory.
- 4) Answer ANY FOUR from Q2 to Q6.

Q.1. Answer ANY FOUR questions from the following.

(4x5=20 Marks)

A. Find Average Propensity to Consume and Average Propensity to Save for the following.

| Disposable Income (Rs.) | Consumption | Savings |
|-------------------------|-------------|---------|
| 0 | 2,000 | -2,000 |
| 5000 | 4,100 | 900 |
| 10,000 | 6,000 | 4,000 |
| 15,000 | 9,500 | 5,500 |
| 20,000 | 12,500 | 7,500 |
| 25,000 | 16,000 | 9,000 |
| 30,000 | 20,300 | 9,700 |
| 35,000 | 25,100 | 9,900 |

B. "If a producer wants to earn profit in long run, his main objective should be product innovation". Identify and explain the theory in detail.

C. What are the differences between internal and external public debt, and how do they contribute towards country's financial stability?

D. "If firms receive increased profits in long run, new firm will enter the market. Hence it is concluded that over investment will lead to decline in profits". Explain the theory in detail.

E. Explain the following equations in detail with the help of diagram.

a) $C=f(Y)$

b) $I=f(Y)$

Q. Answer any FOUR from the following

Q.2. Explain with the help of diagram how economy will function when Government interferes in goods and service market, financial market and factor of production market. Also comment on how economy will work when it is opened up to the world. **(10 Marks)**

Q.3. ABC banks received primary deposit of Rs. 20,000 from Person A. The said bank is required to maintain cash reserve ratio of 10% and rest will be given in the form of lending.

Calculate total money created and credit created in the economy.

(10 Marks)

| Rounds | Primary Deposits | Cash Reserve ($r=10\%$) | Credit Creation |
|---------------|-------------------------|---|------------------------|
| Person A | Rs. 20,000 | | |

Q.4. Explain causes and phases of Business Cycle with the help of diagram

(10 Marks)

Q.5. In long run, Phillip's curve is a vertical line parallel to Y axis. While in short run, Phillip's curve is a downward sloping curve. Explain the difference between long run and short run with the help of diagram.

(10 Marks)

Q.6. Government of India is planning to construct dam for public welfare, in order to carry out this planned expenditure additional funding is required. Discuss the various sources of public revenue which Government can utilize to fulfil the deficit.

(10 Marks)
