

VPM's
DR VN BRIMS, Thane
Programme: PGDM (2016-18)
Second Trimester Examination January 2017

Subject	Macro Economics		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	2	Date	07.01.2017

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.

Q1) 20 Marks (Compulsory)

All sub-questions are compulsory. Each sub-question carries equal marks.

- What are the benefits of international trade?
- What are the consequences of deflation?
- Explain any 2 supply side policies.
- The MPC for an economy is 0.7. There is an increase in the net exports by INR 200 million. What is the net change in the real GDP?

Attempt Any FOUR from the Remaining SIX Questions

Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- Write a short note on structural unemployment.
- Define the terms inflation, deflation, disinflation, stagflation and hyperinflation.
- Write a short note on absolute advantage in international trade.

Q3) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- What is Phillips Curve and explain why the shape of Phillips curve is the way it is using new classical / monetarist model?
- The values of goods and services in a basket of goods for two years is as shown below.

Goods and Services	Quantity in basket	Prices in 2015	Prices in 2016
Smartphone	2	7000	7500
Meal	68	80	75
Shoes	3	250	270

Treating 2015 as the base year calculate the price index for the years 2015 and 2016.

Using these indices calculate the rate of inflation for the year 2016.

- Write a short note on Gini Coefficient including how it is calculated and its interpretation.

Q4) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- Explain the various causes of poverty.
- Explain any two methods used by government to increase equity in the distribution of income.
- What is the meaning of leakages and injections in an economy? Give examples of two leakage injection pairs.

Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- As per new classical / monetarist model the economy in an inflationary gap will return to full employment GDP. Explain why this happens using AD/AS diagrams.
- Explain expansionary fiscal policy and how it tries to bring back the economy to full employment GDP.
- Explain the effect of tariffs on various stakeholders.

Q6) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- Write a short note on automatic stabilizers.
- What are the strengths and weaknesses of monetary policy?
- The data for a country Queensland is as given below. (all figures are in billion INR).

Consumer spending = 25; Government spending = 16; Investment spending = 26; Exports of goods and services = 7; Imports of goods and services = 9.

Incomes of foreign workers working in Queensland that were sent home were 1.7. The profits of Queensland's multinational corporations abroad and income of Queensland workers abroad that were sent back to Queensland were 2.5. What was Flatland's GNI in 2007?

Calculate the nominal GDP and GNI.

Q7) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

a) Write a short note on Keynesian aggregate supply.

b) What are the different types of taxes?

c) The personal income tax rates applicable are as follows. Calculate the total tax paid and the average tax rate for two individuals earning Rs. 1,25,000 and Rs. 5,60,000.

Annual Income	Marginal Tax Rate
0-1,00,000	0%
1,00,000-5,00,000	15%
≥ 5,00,000	30%