Answer **ALL** questions

Time allowed: 2 Hours

1. a. Define Macroeconomics and state the goals of it.

    b. From the following data,

    National income = Rs. 254, 000.00

    Indirect taxes = Rs. 26, 600.00

    Personal taxes = Rs. 40, 500.00

    Capital consumption allowance = Rs. 35, 640.00

    Social security contributions = Rs. 25, 300. 00

    Interest paid by government = Rs. 10, 510. 00

    Government and Business transfers = Rs. 37, 450.00

    Calculate the following:

    i.   Net National Product,

    ii.   Gross National Product, and

    iii.   Personal Income

    c.   i. What do you understand by Marginal Propensity to Consume (MPC) and give   its relationship to the Multiplier.

    ii. Calculate the multiplier when,

    x. Marginal Propensity to Consume (MPC) equals 0.8

    y. Marginal Propensity to Save (MPS) equals 0.4

2. a. Explain and differentiate Nominal GDP and Real GDP

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b. Assume that there are only two goods produced in an economy. Using the following data calculate Real and Nominal GDP for 1990 and 2008. (Assumption: Take 1990 as the base year).

Goods produced	1990		2008	
	Quantity	Price (Rs.)	Quantity	Price (Rs.)
Good X	20	20	25	35
Good Y	40	18	55	30

c. Give the consumption function and explain the variables in it.

d. Graphically illustrate the Aggregate Demand and Aggregate Supply curves.

3. a. Briefly explain the Business Cycle.

b. Define Fiscal Policy and give the objectives of it.

c. Graphically illustrate inflationary and deflationary gap.

4. Write **SHORT NOTES** on the following.
   a. Taxes,
   b. Investment Expenditure, and
   c. Budget Surplus and Budget Deficit