

**KARACHI UNIVERSITY BUSINESS SCHOOL**  
University of Karachi  
**FINAL EXAMINATION DECEMBER 2010: AFFILIATED COLLEGES**  
**MACRO ECONOMICS BA (H) – 322**  
**BS – II**

Date: January 1, 2011

Max Marks: 40  
Max Time: 2.5 Hrs

**Section 'B'**

**Q1. Answer the following questions. Keep your answers brief and strictly relevant to questions. 20**

1. State bank of Pakistan has taken expansionary monetary policy by declining interest rate from 13% to 12.5% show the effects of this policy on GDP, Employment, inflation and foreign sector.
2. Why are good and services counted in GDP at market price. Are there any disadvantages in using in market price to measure production?
3. Is buying an air-condition an act of consumption or investment in the GDP accounts, what about purchase of house?
4. What are the three motives for holding money according to Keynes's theory of demand?
5. Why the tax multiplier  $[dY/dT = -b/1-b]$  is negative and why it is smaller in absolute value than government expenditure multiplier  $[dY/dG = 1/1-b]$ .
6. Assume the product improves in quality from one year to the next year and its price rises to reflect this improvement. What happens to the GDP deflator and real GDP?
7. How would an increase in a sales tax affect GDP?
8. Is domestic investment the same as investment done in Pakistan?
9. What are the factors that LM-curve shift upward and down ward?
10. Some time IS-curve shows positive or negative. Why?

**Note: Attempts any two question in this section. 20**

- Q2. Explain the fiscal policy and its components? When the government apply contractionary and Expansionary fiscal policy?
- Q3. What policies should be introduced by the government to eliminate the frictional and structural unemployment?
- Q4. Explain the expenditure method of calculating GNP?
- Q5. Write short note on any three of the following.
  - a. Monetary policy
  - b. Exchange rate
  - c. Saving function
  - d. Business cycle

KARACHI UNIVERSITY BUSINESS SCHOOL  
University of Karachi  
FINAL EXAMINATION JUNE 2010; AFFILIATED COLLEGES  
MACRO ECONOMICS BA (H) – 302  
BS – II



Date: June 25, 2010

Max Time: 3 Hrs  
Max Marks: 60

**INSTRUCTIONS:**

- a) Attempt any five questions. All carry equal marks
- b) Programmable Calculators are not allowed.

Q1 (a) "Growth and unemployment are main macroeconomic problems", discuss the statement with respect to current global scenario.

Q1 (b) Explain the expenditure method of calculating GNP.

Q2 (a) If  $C = 200 + 0.5 Y_d$ ,  $T = G_o = 40$ ,  $I_o = 100$ , Find following

- 1. Equilibrium level for NI
- 2. Prove that  $S + T_o = I_o + G_o$
- 3. Find the Value of Multiplier.

Q2 (b) Explain Balanced Budget Multiplier. (Theoretically & Mathematically)

Q3 Determine the Equilibrium level of NI in three Sector Economy when there are Transfer of Payment. ( assume general three sector model in which disposable income can be obtain by subtracting the taxes from sum of net income & TOP , Other usual conditions may also apply on the model. care should taken when driving the national income level at equilibrium because lack of necessary variable 'll lead to undesirable result, also transfer of payments remain autonomous for your consideration)

Q4 Briefly discuss different instruments of fiscal policy.

Q5 Derive IS-LM frame work with necessary diagrams.

Q6 Write short note on any three of following:

- a) Government Budget
- b) Monetary policy
- c) Saving function
- d) Demand – Pull Inflation

**KARACHI UNIVERSITY BUSINESS SCHOOL**

**University of Karachi**

**FINAL EXAMINATION, DECEMBER 2009; AFFILIATED COLLEGES**

**MACROECONOMICS BA (H) – 302**

**BS-II**

**FOUR Years  
Program**

Date: January 05, 2010

Max Marks: 60

Max Time: 3 Hours

Instruction: ATTEMPT ANY FIVE QUESTIONS. ALL CARRY EQUAL MARKS.

Q1.(a) Briefly discuss the different macro economic problems.

(b) Discuss the Income method of calculating GNP. Support your answer with elaboration of all necessary variables in this context.

Q2.(a) Discuss the consumption function C also derive an equation for consumption function.

(b) Calculate the NI (Y) from the following abstracted data:

$$C_0=80, c=MPC=0.7, I_0=70$$

where  $Y=C+I$

Q3. What is multiplier? Discuss consumption and income multiplier with necessary derivation.

Discuss the following situation with respect to AD/AS:

- i. Above full employment.
- ii. Below full employment.

Q5.(a) Explain deficit financing and its working.

(b) Define LM-curve with necessary diagram.

Q6. Write short note on any two of the following.

- i. Monetary policy and its instruments
- ii. Unemployment and inflation.
- iii. Government budget
- iv. Cost- push inflation

KARACHI UNIVERSITY BUSINESS SCHOOL

UNIVERSITY OF KARACHI

BS Four Years  
Program

FINAL EXAMINATION, JUNE 2009: AFFILIATED COLLEGES

MACROECONOMICS : BA(II) – 302

BS – II

Date: June 21, 2009

Max Time: 3 Hours

Max Marks: 60

Instructions: Attempt any five questions. All questions carry equal marks.

- Q.I In a three-sector (household, business and government) model, suppose household compensation is \$760; taxes on household income is \$100; consumption spending is \$560; gross investment is \$110; depreciation is \$40; and government spending is \$130.
- (a) Find GNP, NNP and household saving  
(b) What leakage and spending injections are there for this three-sector model?
- Q.II Explain frictional, cyclical and structural unemployment.
- (a) What policies should be introduced by the government to eliminate the frictional and structural unemployment?
- Q.III Jot down the causes of demand-pull and cost-push inflation. Explain with the help of diagrams.
- Q.IV (a) Drive the multiplier when the MPC is 0.90, 0.80, 0.75 and 0.50. (b) What is the relationship between the marginal propensity to consume and the value of the multiplier? (c) Use the multiplier values found in (a) to establish what effect a \$20 decrease in autonomous spending has upon equilibrium income.
- Q.V Identify the instruments of fiscal policy. And derive the IS curve.
- Q.VI Write short notes on any two of the following
- (i) Balanced budget multiplier.  
(ii) Benefits of recession  
(iii) Tools of Monetary policy  
(iv) Marginal propensity to consume

**KARACHI UNIVERSITY BUSINESS SCHOOL**  
**UNIVERSITY OF KARACHI**

BBA Two Year  
Program

**FINAL EXAMINATION, DECEMBER-2007 : AFFILIATED COLLEGES**

**BUSINESS ECONOMICS - II : BA (P) - 332**

**BBA - II**

Date : December 15, 2007

Time : 3 Hours

Max. Marks : 60

Instructions : Attempt any five questions. All questions carry equal marks.

- Q.No.1.(a) ✓ What is the best measure of economic growth? Nominal GDP or Real GDP discuss.  
(b) ✓ Differentiate between GDP and GNP with the help of atleast two examples.
- Q.No.2.(a) ✓ Define business cycle and its phases with the help of diagram.  
(b) ✓ Define inflationary and recessionary gap and the full employment situation in the short run equilibrium. How do they influence the phases of business cycle?
- Q.No.3 ✓ Discuss the various types of unemployment. How do we calculate unemployment rate.
- Q.No.4.(a) ✓ Distinguish between economic growth and economic development.  
(b) ✓ What is the rationale of economic planning?
- Q.No.5.(a) ✓ Why the tax multiplier is greater than 1?  
(b) ✓ How do we calculate the size of multiplier? If  $MPS = 0.25$ , calculate multiplier.
- Q.No.6.(a) ✓ Explain fiscal policy and its components?  
(b) ✓ When the government apply contractionary and expansionary fiscal policy.

**KARACHI UNIVERSITY BUSINESS SCHOOL  
UNIVERSITY OF KARACHI**

**FINAL EXAMINATION, JUNE-2007 : AFFILIATED COLLEGES  
BUSINESS ECONOMICS - II : BA (P) - 332  
BBA - II**

Date : June 14, 2007  
Max. Marks : 60

Time : 3 Hours

Instructions : Attempt any five questions.

- Q.No.1. Define GDP and use the circular flow model to explain why GDP equals aggregate expenditure and aggregate income?
- Q.No.2. Define the multiplier? What is the multiplier effect? What relationship does the MPC bear to the size of the multiplier? The MPS?
- Q.No.3. Derive IS and LM curves, combinations of output and interest rates that lead to goods market and money market equilibrium.
- Q.No.4. What is business cycle? Distinguish among the different theories of the business cycle.
- Q.No.5. Define economic growth, what are the major causes of economic growth?
- Q.No.6. What is meant by the balance of payments? In what way is the balance of payment a summary statement?

X

(3) (62)

ASD

**KARACHI UNIVERSITY BUSINESS SCHOOL  
UNIVERSITY OF KARACHI**

**FINAL EXAMINATION, FALL 2006: AFFILIATED COLLEGES**  
**BUSINESS ECONOMICS II: BA (P) -332**  
**BBA-II**

Time Allowed: 3 Hours  
Date: 19<sup>th</sup> Dec, 2006

Max: Marks: 60

**Attempt any five Questions. Each question carries equal Marks.**

- Q.1. Define GDP in detail with the help of the Circular Flow of Expenditure and Income? Depict Diagram? (12)
- Q.2. (a) What are three major Approaches to measure GDP? (06)  
(b) Define how to measure Real GDP? (06)
- Q.3. (a) Describe the types of Exchange Rate Systems? (08)  
(b) How the exchange Rates are determined? (04)
- Q.4. Define Inflation and its types? How Government can control inflation in Pakistan? (12)
- Q.5. (a) Define Macro-economic equilibrium in short-run and in long run with the help of graphs? (06)  
(b) What does the aggregate demand curve show, what factors change, and what factors remains same when there is movement along the aggregate demand curve? (06)
- Q.6. Describe Investment Curve and Saving Curve? How the real interest rates are determined? (12)
- Q.7. Differentiate Between any three of the following: (12)  
(a) Depreciation and Devaluation of the currency  
(b) Inflationary Gap and Deflationary Gap  
(c) Prosperity and Decline in Business Cycle  
(d) Full employment and Unemployment
- S

(6)  
66  
P.S. II

**KARACHI UNIVERSITY BUSINESS SCHOOL  
UNIVERSITY OF KARACHI**

**FINAL EXAMINATION, FALL 2006: AFFILIATED COLLEGES**  
**BUSINESS ECONOMICS II: BA (P) -332**

**BBA-II**

Time Allowed: 3 Hours  
Date: 19<sup>th</sup> Dec, 2006

Max: Marks: 60

**Attempt any five Questions. Each question carries equal Marks.**

- Q.1. Define GDP in detail with the help of the Circular Flow of Expenditure and Income? Depict Diagram? (12)
- Q.2. (a) What are three major Approaches to measure GDP? (06)  
(b) Define how to measure Real GDP? (06)
- Q.3. (a) Describe the types of Exchange Rate Systems? (08)  
(b) How the exchange Rates are determined? (04)
- Q.4. Define Inflation and its types? How Government can control inflation in Pakistan? (12)
- Q.5. (a) Define Macro-economic equilibrium in short-run and in long run with the help of graphs? (06)  
(b) What does the aggregate demand curve show, what factors change, and what factors remains same when there is movement along the aggregate demand curve? (06)
- Q.6. Describe Investment Curve and Saving Curve? How the real interest rates are determined? (12)
- Q.7. Differentiate Between any three of the following: (12)  
(a) Depreciation and Devaluation of the currency  
(b) Inflationary Gap and Deflationary Gap  
(c) Prosperity and Decline in Business Cycle  
(d) Full employment and Unemployment
- (6)



14/10

DEPARTMENT OF BUSINESS ADMINISTRATION  
UNIVERSITY OF KARACHI  
Terminal Examination for BBA (Pass) 2002  
SEMESTER II

BUSINESS ECONOMICS II

**Max. Marks: 60.**

**!!!!!! Please read the following directions carefully. !!!!!!!**

**Directions:** The time limit for this exam is three hours. Please write your full name in CAPITAL LETTERS. If I see you talking to any other students, I will deduct 20 points and will not accept your excuse (plausible or implausible).

**SECTION A (20 points)**

**Answer any two questions from the following questions.**

- Q1 (a) Indicate whether these topics fall within the domain of macroeconomics or microeconomics. (6 points)
- (a) the price of gasoline
  - (b) the unemployment rate
  - (c) national output
  - (d) the general price level;
  - (e) the wages of teachers
  - (f) total car production
- b) Identify each of the following as either a positive or a normative statement: (4 points)
- (a) The high temperature today was 89 degree
  - (b) The general price level rose by 4.4 percent last year
  - (c) It is too hot today
  - (d) Inflation eroded living standards last year and should be reduced by government policies.
- Q2 a) "The equilibrium price of bushel of wheat, which was \$3.00 last month, is \$3.75 today. The demand curve for wheat must have shifted rightward between last month and today. Discuss." (5 points)
- b) What is the effect on equilibrium price and quantity of the following? Draw diagram to support your answer. (5 points)
- (i) An increase in demand that is exactly equal to the decrease in supply
  - (ii) An increase in supply.
- Q3 a) Assume the market basket contains 10X, 20Y, and 45Z. The current year prices for goods X, Y, and Z are \$1, \$4, and \$6, respectively. The base year prices are \$1, \$3, and \$6, respectively. What is the CPI in the current year? (4 points)
- b) Assume that civilian noninstitutional population = 100 million persons; civilian labor force = 87 million persons; total population = 240 million persons, unemployed persons = 45 million persons. Using these data, calculate the following: a) unemployment rate, b) employment rate. (6 points)

(over)

(30)

**SECTION B (40 points)**

Answer any four questions from the following questions.

- Q1.a) Explain what happens to the Aggregate Demand curve if the dollar depreciates relative to other currencies? (5 points)
- b) Explain the difference between total expenditures and aggregate demand. What are the four components of total expenditures? (5 points)
- Q2.a) Suppose the price level is 132, the quantity demanded of real GDP is \$4000 billion, the quantity supplied of real GDP in the short run is \$4000 billion, and the quantity supplied of real GDP in the long run is \$4500 billion. Is the economy in short run equilibrium? Will the price level in the long run equilibrium be greater than, less than, or equal to 132? Use diagram to support your answer (6 points)
- b) If the economy is self-regulating, what happens if it is in an inflationary gap? (4 points)
- Q3 a) Explain: "If expectations are rational and fully correct, the unemployment rate will never diverge from the natural rate." (5 points)
- b) What are the two broad tenets of supply-side economics? What is the Laffer Curve, and how does it relate to one of these tenets? (5 points)
- Q4 a) Give two reasons for macroeconomic instability according to mainstream economists? (4 points)
- b) Describe the monetary rule and explain, using equation of exchange, why monetarists prefer it to discretionary monetary policy? (6 points)
- Q5.a) Suppose that an economy is described by the following equations  
 $C = 100 + 0.5Y_d$   
 $I = 100$   
 $G = 100$   
 $(X - M) = 100$   
Where C is consumption expenditures, I is investment expenditures, G is government expenditures and (X - M) is net exports. All are measured in billions of dollars. Calculate equilibrium level of national income? (2 points)
- b) Suppose that autonomous consumption is 600 and the marginal propensity to consume is 0.5 (8 points)
- Write an equation for the consumption curve.
  - Now write an equation for the saving curve. How are the consumption curve and the saving curve related?
  - Sketch a graph to show both the consumption curve and the saving curve. Compute the income level at which saving is zero and show this on your graph.
  - Why is  $MPC + MPS$  always equal to one?

4A-0207018

24



Rollment No.: \_\_\_\_\_

Seat No. \_\_\_\_\_

(1)

30

B.S.II

**DEPARTMENT OF BUSINESS ADMINISTRATION  
UNIVERSITY OF KARACHI  
B.B.A. (PASS) SEMESTER II**

**BUSINESS ECONOMICS II**

**FINAL EXAMINATION**  
**[COURSE # BA(P)-332]**

**020103 / 180 MINUTES**  
**MAX MARKS 60**

**INSTRUCTION:** Attempt all questions.

- Q#1 What is macroeconomics? Draw circular flow of macroeconomic activity. What are the major objectives of macroeconomics?
- Q#2 What is the major difference between the final output approach to measuring GDP, the value added approach, and the income approach?
- Q#3 What is the underlying logic of classical model of macroeconomic equilibrium? Explain why this model does not fit the facts for the different economies very well when aggregate demand decreases?
- Q#4 Show how an expansionary monetary policy influences the money supply and the market rate of interest. How are the effects of an expansionary monetary policy transmitted to the economy at large in a way that affects real GDP and the price level?
- Q#5 (a) Why is M2 some times a more stable measure of money than M1? Explain in your own words using the definitions of M1 & M2.  
(b) Do you agree or disagree with the following statement explain your answer. The money multiplier depends on the marginal propensity to save.
- Q#6 Explain how expansionary fiscal policies affect the economy, and show how such policies can be used to eliminate recessionary GDP gaps.

OR

Discuss various components of Balance of Payments account. What are the main causes of disequilibrium in Balance of payments account with reference to Pakistan.

- Q#7 Describe different phases of business cycle. Some business cycles originate from the demand side while others arise from supply shocks. Explain and give examples of each.

OR

Discuss concept of economic development. What are the pre-conditions of economic development?

\*\*\*\*\*  
'Good Luck'  
\*\*\*\*\*

7

1



49

B511

Department of Business Administration  
University of Karachi  
Final Exam  
(Affiliated Colleges)

Business Economics-II  
BBA-II

Date: June 10, 2006  
Maximum Marks = 60

**Directions:**

Attempt any six questions in all. All questions carry equal marks. The time limit for this exam is three hours.

- Q1. Why do national income accountants include only final goods in measuring GDP for a particular year? Why don't they include the value of the used furniture bought and sold?
- Q2. Explain graphically the determination of the equilibrium GDP. Explain why the intersection of the aggregate expenditures schedule and the 45-degree line determines the equilibrium GDP.
- Q3. What is the multiplier effect? What relationship does the MPC bear to the size of the multiplier?
- Q4. Precisely how are the APC and the MPC different? Why must the sum of the MPC and the MPS equal 1?
- Q5. What are government's fiscal policy options for ending demand-pull inflation? Use the aggregate demand-aggregate supply model to show the impact of these policies on the price level.
- Q6. What is the difference between a depreciation of the domestic currency and a devaluation of the domestic currency?
- Q7. Write short notes on any two of the following:
  - a) Inflationary Gap
  - b) Business Cycles
  - c) Acceleration Principle

X (3) (2)

**SECTION II (40 points)**

Answer any four questions from the following questions.

- Q1.a) Explain what happens to the Aggregate Demand curve if the dollar depreciates relative to other currencies? (5 points)
- b) Explain the difference between total expenditures and aggregate demand. What are the four components of total expenditures? (5 points)
- Q2.a) Suppose the price level is 132, the quantity demanded of real GDP is \$4000 billion, the quantity supplied of real GDP in the short run is \$4000 billion, and the quantity supplied of real GDP in the long run is \$4500 billion. Is the economy in short run equilibrium? Will the price level in the long run equilibrium be greater than, less than, or equal to 132? Use diagram to support your answer (6 points)
- b) If the economy is self-regulating, what happens if it is in an inflationary gap? (4 points)
- Q3.a) Explain: "If expectations are rational and fully correct, the unemployment rate will never diverge from the natural rate." (5 points)
- b) What are the two broad tenets of supply-side economics? What is the Laffer Curve, and how does it relate to one of these tenets? (5 points)
- Q4.a) Give two reasons for microeconomic instability according to mainstream economists? (4 points)
- b) Describe the monetary rule and explain, using equation of exchange, why monetarists prefer it to discretionary monetary policy? (6 points)
- Q5.a) Suppose that an economy is described by the following equations  
 $C = 100 + 0.5Y_d$   
 $I = 100$   
 $G = 100$   
 $(X-M) = 100$   
Where  $C$  is consumption expenditures,  $I$  is investment expenditures,  $G$  is government expenditures and  $(X-M)$  is net exports. All are measured in billions of dollars. Calculate equilibrium level of national income? (2 points)
- b) Suppose that autonomous consumption is 600 and the marginal propensity to consume is 0.5 (8 points)
- Write an equation for the consumption curve
  - Now write an equation for the saving curve. How are the consumption curve and the saving curves related?
  - Sketch a graph to show both the consumption curve and the saving curve. Compute the income level at which saving is zero and show this on your graph
  - Why is  $MPC + MPS$  always equal to one?

108

(3) (2)