

College Name: _____

Student Name: _____ Seat No: _____

Copy No: _____

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION, DECEMBER 2016; AFFILIATED COLLEGES
MACRO ECONOMICS; BA (H)-302
BBA – II

Date: December 30, 2016

Max Time: 2 Hrs
Max Marks: 40

INSTRUCTIONS:

- 1. Attempt any 5 questions. Do not write anything on the question paper**
- 2. Mobile phone(s) or any other communicating device will not be allowed in the examination room. Students will have to remove the batteries of these devices before entering the examination hall.**

Q2: The following is the information from the national income accounts for a hypothetical country:

GDP		Rs. 6000.00	
Gross Investment		Rs. 800.00	
Net Investment		Rs. 200.00	
Consumption		Rs. 4000.00	
Govt. purchases of goods & services		Rs. 1100.00	
Govt. Budget Surplus		Rs. 30.00	
Calculate	(a) NDP	(b) Net exports	(c) Govt. taxes minus transfers
	(d) Disposable personal income	(e) Personal Saving.	

- Q3 a) What is the difference between intermediate goods & final goods and services?
b) Why are the imports subtracted when GDP is calculated in expenditure approach?
- Q4 Distinguish between nominal & real rate of interest. Why the saving does depend on the real interest rate not on the nominal interest rate?
- Q5 a) Does ATM card increase the velocity of money? Justify your answer?
b) Explain the opportunity cost of holding money
- Q6 Explain how the creation of credit by commercial banks can have multiplier effect on money supply.
- Q7 Explain the Mechanism of government expenditures multiplier. Why the effect of output is greater than initial increase in government expenditure?
- Q8 How you derive IS Curve from two figure diagrams. What are factors which shift the IS curve?
- Q9 How is exchange rate determined under a flexible exchange rate regime?

END OF SUBJECTIVE PAPER