

College Name: \_\_\_\_\_

Seat No: \_\_\_\_\_ Student's Name: \_\_\_\_\_

Copy No: \_\_\_\_\_

**KARACHI UNIVERSITY BUSINESS SCHOOL**  
**UNIVERSITY OF KARACHI**  
**FINAL EXAMINATION, JUNE 2017; AFFILIATED COLLEGES**  
**MACRO ECONOMICS; BA(BS)-502**  
**BBA – VI**

**Date: July 7, 2017**

**Max Time: 100 Mins**

**Max Marks: 40**

**INSTRUCTIONS:**

- 1. Attempt any 4 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 Explain the fallacies in each of the following statements.

- (a) GNP is always greater than GDP
- (b) NNP is always greater than GNP
- (c) Personal income is always greater than national income
- (d) National income is more than NNP

Q3 Within the IS-LM framework, show how income and interest rate are affected by each of the following changes. In each case explain briefly why the changes in income and interest rate occur.

- (a) an increase in autonomous consumption
- (b) an increase in MPC
- (c) an autonomous decline in investment spending.
- (d) government taxes

Q4 a) Describe the limitations of monetary policy.

- b) Describe the arguments for and against being concerned with the size of a fiscal deficit relative to GDP.

Q5 a) How does the government use fiscal and monetary policy to smooth the business cycle?

- b) Who benefits from inflation? What factors are most adversely affected by the business cycles?

Q6 a) How does an increase in the saving rate affect economic growth?

- b) How does an increase in the population growth rate affect economic growth?

**END OF SUBJECTIVE PAPER**