

College Name: _____

Seat No: _____ Student's Name: _____

Copy No: _____

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION DECEMBER 2017; AFFILIATED COLLEGES
MACROECONOMICS; BA(BS)-502
BBA – VI

Date: January 9, 2018

Max Time: 100 Mins
Max Marks: 40

INSTRUCTIONS:

- 1. Attempt 4 questions where Q2 is compulsory. Do not write anything on the question paper. EXCEPT the initials mentioned above.**
- 2. Mobile phones 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 Consider an economy that produces only three types of fruit: apples, oranges & bananas. The production & price data are as follows:

| Firms | | 2015 (Base Year) | 2016 (Current Year) |
|------------|---------|------------------|---------------------|
| Prices | Apples | Rs. 2 per unit | Rs. 3 per unit |
| | Banana | Rs. 3 per unit | Rs. 2 per unit |
| | Oranges | Rs. 4 per unit | Rs. 5 per unit |
| Quantities | Apples | 3000 Units | 4000 Units |
| | Banana | 6000 Units | 14000 Units |
| | Oranges | 8000 Units | 32000 Units |

- a) Find nominal GDP in the current year & in the base year. What is the percentage increase since base year?
 - b) Find real GDP in the current year & in the base year. By what percentage does a real GDP increase from the base year to current year?
 - c) Find the GDP deflator for the current year & the base year. By what percentage does the price level change from the base year to current year?
- Q3 a) Define velocity of money. Discuss the role of velocity of money in the quantity theory of money.
b) What do you mean by money multiplier?
- Q4 a) How does open market purchase of securities by central bank of a country affect money supply?
b) Discuss the process of credit creation by the commercial banks.
- Q5 Explain the impact of an increase in the money supply in the short run & in the long run in an AD-AS model.
- Q6 Explain the difference between expansionary and contractionary fiscal policy. When would the government use expansionary and contractionary fiscal policy?
- Q7 What do you mean by business cycle?
Explain the difference between economic development and economic growth.
- Q8 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

END OF SUBJECTIVE PAPER