GLOBAL COLLEGE INTERNATIONAL

PRE-BOARD EXAMINATION 2023

BACHELOR OF BUSINESS ADMINISTRATION (BBA)

SEMESTER – II

Subject: Macroeconomics Course Code: MGT 425

Full Marks: 100 Time: 3 Hours

You are required to answer in your own words as far as applicable. The figures in the margin indicate full marks.

**SECTION B: SHORT ANSWER QUESTIONS (8** $×$ **5 = 40 MARKS)**

*Answer any EIGHT questions:*

1. Briefly explain about macro dynamic Analysis.

2.How national income is calculated by value added method ?

3. If the consumption and investment are given as C=430+0.75Y and I=40

a) What will be the equilibrium income ?

b) Calculate value of multiplier.

c) If autonomous investment increases by 10,what will be the new equilibrium income ?

4.What is consumption function ? Explain with examples.

5.What is marginal efficiency of capital ? Explain its determinants.

6.What are the implications of the says law of market ?

7.What is business cycle? What are its phases?

8.Derive Government expenditure multiplier mathematically and calculate coefficient of government expenditure multiplier if MPC =0.75.

9. Write short note on deficit finance with its importance.

10.What are the objectives of monetary policy ? explain.

**SECTION C: LONG ANSWER QUESTIONS (3** $× $**10 = 30 MARKS)**

*Answer any THREE questions:*

11. Suppose the demand for money is $M^{d}=0.20y,$ the money supply $M^{s}$= $200, C= $90+0.80Yd, Tx (Tax)=$50, I= 140-5i, and G=$50.

1. Derive IS and LM equations.
2. Find equilibrium output, rate of interest and investment.

12. Explain how income and output is determined under four sector economy.

13. How employment and output is determined under Theory of Effective Demand? Explain.

14. Compute the Nominal GDP, Real GDP and GDP Deflator and rate of inflation from the following data:

|  |  |  |
| --- | --- | --- |
| Year  | Commodity “A” | Commodity “B” |
| Price (PA) | Quantity Consumed (QA) | Price (PB) | Quantity Consumed (QB) |
| 2017 | $5 | 200 units | $6 | 500 units |
| 2018 | $10 | 400 units | $8 | 600 units |
| 2019 | $15 | 600 units | $10 | 700 units |
| 2020 | $20 | 800 units | $12 | 800 units |
| 2021 | $25 | 1,000 units | $14 | 900 units |
| 2022 | $30 | 1,200 units | $16 | 1,000 units |

15. Explain circular flow of income and expenditure in closed economy.

**SECTION D: CASE STUDY (15 MARKS)**

16. Read the case carefully and answer the following questions:

Finance Minister Yubaraj Khatiwada has launched the first ever federal budget of Rs 1.315 trillion for the fiscal year 2018/19. Out of the total budget, government aims to utilise Rs 845.5 billion as recurrent expenditure. Likewise, Rs314.28 billion and Rs155.18 billion have been earmarked for capital expenditure and financing provision, respectively.

Moreover, the government has set a revenue collection target of Rs 831 billion. Likewise, the government will seek foreign grants and loans of Rs58 billion and Rs 253billion, respectively. Internal loan amounting Rs172 billion is expected to balance the expenditures and sources of the budget. Economic growth in the upcoming fiscal has been projected at 8 per cent.

Government has prioritized generation of employment opportunities, promoting agriculture and tourism sectors, conserving water resources, enhancing quality of public service delivery in the first federal budget. Rs 3.10 billion have been allocated to initiate Prime Minister Employment Program with an aim to generate employment opportunities. Moreover, the government has decided to provide 5 per cent concessional loan of Rs 700,000 backed by educational certificates to help young entrepreneurs to launch their ventures.

With financial coordination with all local levels, the government has decided to establish at least one health centre in all of the 1200 wards within two years. In the first phase the government will grant Rs4 billion to the local levels for establishing health centers. Likewise, the government has decided to depute at least one doctor in all of the health centers in the country. The government has allocated Rs 56.41 billion for the development of medical sector.

*Source: Himalayan Times*

**Answer the following questions**

1. Explain any four importance of fiscal policy in Nepal. [5]
2. Government will be able to achieve above mentioned objectives or not? Why? [5]
3. Explain process of budget formulation in Nepal. [ 5]

All the Best