**Question Bank**

**Course Name :BAP(GE)**

**Paper Name : Principles of Macroeconomics**

**Semester : 6th**

1. Explain briefly the main steps taken to estimate national income by production method.
2. Explain the circular flow of income in a four sector economy. Distinguish between real and nominal GDP. Explain the limitations of GDP as a measure of welfare.
3. From the data given below, calculate National Income:

Items Rs.( in crores)

Indirect taxes 125

Depreciation 100

Royalty 10

Profits 100

Subsidies 20

Gross Domestic Product at Market Price 900

Interest 25

Rent 50

Net Factor Income From Abroad (-) 20

1. Explain the determination of equilibrium level of GDP using aggregate expenditure approach and saving investment approach in a two sector model economy.
2. What is meant by multiplier? Explain the working of multiplier using suitable diagrams and examples.
3. Explain the consumption function in detail. How can the saving function be derived from the consumption function.
4. Explain the determination of equilibrium level of GDP using the aggregate expenditure approach and the Saving investment approach in a two sector model
5. Explain the difference between Actual and Potential GDP.
6. What is the relationship between Marginal propensity to consume and the multiplier.
7. What is Net Export function? How does it affect equilibrium level of income and GDP in an open economy? What are the factors which affect net export function?
8. What is near money? What are the types of near money?
9. How do commercial banks create credit in a multiple banking system?
10. Determine equilibrium rate of interest. What happens when monetary policy changes the interest rates?
11. Explain the concept of High Powered money.
12. What do you mean by liquidity preference? Explain the Keynesian theory of demand for money.
13. Discuss the quantitative credit control measure adopted by the Central Bank
14. Define Monetary policy and its objectives. Explain the instruments of monetary policy used by the central bank.
15. Define MEC. How does it affect the investment decision.