

semester mid exam

victoria university of Bangladesh

course title: macro Economics

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Topic: mid examination

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Ans to the quer No: 2

Differentiate between macro and micro economics.

▣ micro economics :- micro economics is the study of decisions made by people and businesses regarding the ~~alloc~~ allocation of resources and price of goods and services.

▣ macro economics : macro economics is a branch of economics that depicts a substantial picture

(P. 10) ①

It scrutinises itself with the economy at a massive scale and several issues of an economy are considered.

Differences and Between micro-economics and macroeconomics:

Meaning :

* microeconomics : microeconomics is the branch of Economics that is related to the study of individual, household and firms behaviour in decision making and allocation of the resources

(p.t.o) ②

* macroeconomics :-

macroeconomics is the branch of Economics that deals with the study of the behaviour and performance of the economy in total.

□ Area of study:

* microeconomics studies the particular market segment of economy.

* macroeconomics studies the whole economy, that covers
(P.T.O) (3)

several market segment.

④ Deals with :-

* micro-economics deals with various issues like demand, supply, factor pricing, product pricing, economic welfare, production, consumption, and more.

* macroeconomics deals with various issues like national income, distribution, employment, general price level, money, and more.

(P.T.O) (4)

Business Application :-

* micro :-

It is applied to internal issues.

macro :-

* It is applied to environmental and external issues.

Scope :-

* micro :- It covers several issues like demand, supply, factor pricing, product pricing, economic welfare, production, consumption and more.

(P.T.O) (5)

*macro :- It covers several issues like distribution, national income, employment, money, general price level, and more.

▣ Limitations :-

*micro :- It is based on impractical in microeconomics, it is presumed that there is full employment in the community, which is not at all feasible.

(P.T.O) (6)

* macro :-

It has been scrutinised that the misconception of composition incorporates, which sometimes fails to prove accurate because it is feasible that what is true for aggregate may not be true for individuals as well.

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(P.T.O) (7)

Ans to the quer NO: (1)

Define the term macro
Economics bellow:

Economics is the study
of scarcity and its implica-
tions for the use of resour-
ces, production of goods and
services, growth of production
and welfare over time, and
a great variety of other
complex issues of vital
concern to society. It's

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(p. 10) (8)

term of macroeconomics.

scopes of macroeconomics
and Explain below :-

▣ Theory of income and
Employment.

▣ Theory of General price
level and Inflation.

▣ Theory of Growth and
development.

▣ macro Theory of dist-
tribution.

(p.t.o)

Explain:

* Theory of Income and Employment :- macro economic analysis explains which factors determine the level of national income and employment.

* Theory of General price level and inflation :- macro economic analysis shows

(part 10)

how the general price level is determined and further explains what causes fluctuations in it.

* Theory of Growth and Development - macro economics consists of the theory of economic growth and development. It explains the causes of underdevelopment and poverty.

(P.T.O) ①

* macro Theory of distribution :-

* macro theory of distribution deals with the relative shares of rent wages, interest, and profit in the total national income.

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(P.T.O) ⑫

Ans to the query No: (5)

'Theory of Effective Demand'
write briefly on this topic
are bellow :-

Theory is much talk about
such matters as the downward
rigidity of wages to rates,
the relationship of wage to
employment and output, the
influence of liquid assets on
the level of economic

(P. 120) (12)

activity and the stage of maturity of the American economy. The various theories of employment must be examined in the light of these concepts in order to get some clear answers to

Important economic problems.

The Keynesian are often accused of being based on assumptions of rigid

(p. 10) 14

wage rates or interest-
elastic liquidity preferences,

but there may be much
less truth in these assertions
than ~~the~~ is commonly thought
to be the case.

The purpose of this
paper will be study three
theories of employment -

① The classical

(P. 10) ②

② The Keynesian,
and ③ The Marxian.

In order to attempt to
clear up some confusions
that still exist, one of
the main objectives will
be to try to show the
distinctions between neces-
sary and sufficient assump-
tions that underlie each

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theory.

This is the theory of Effective Demand.

Ans to the quer No: (7)

macro economic framework works are bellow:-

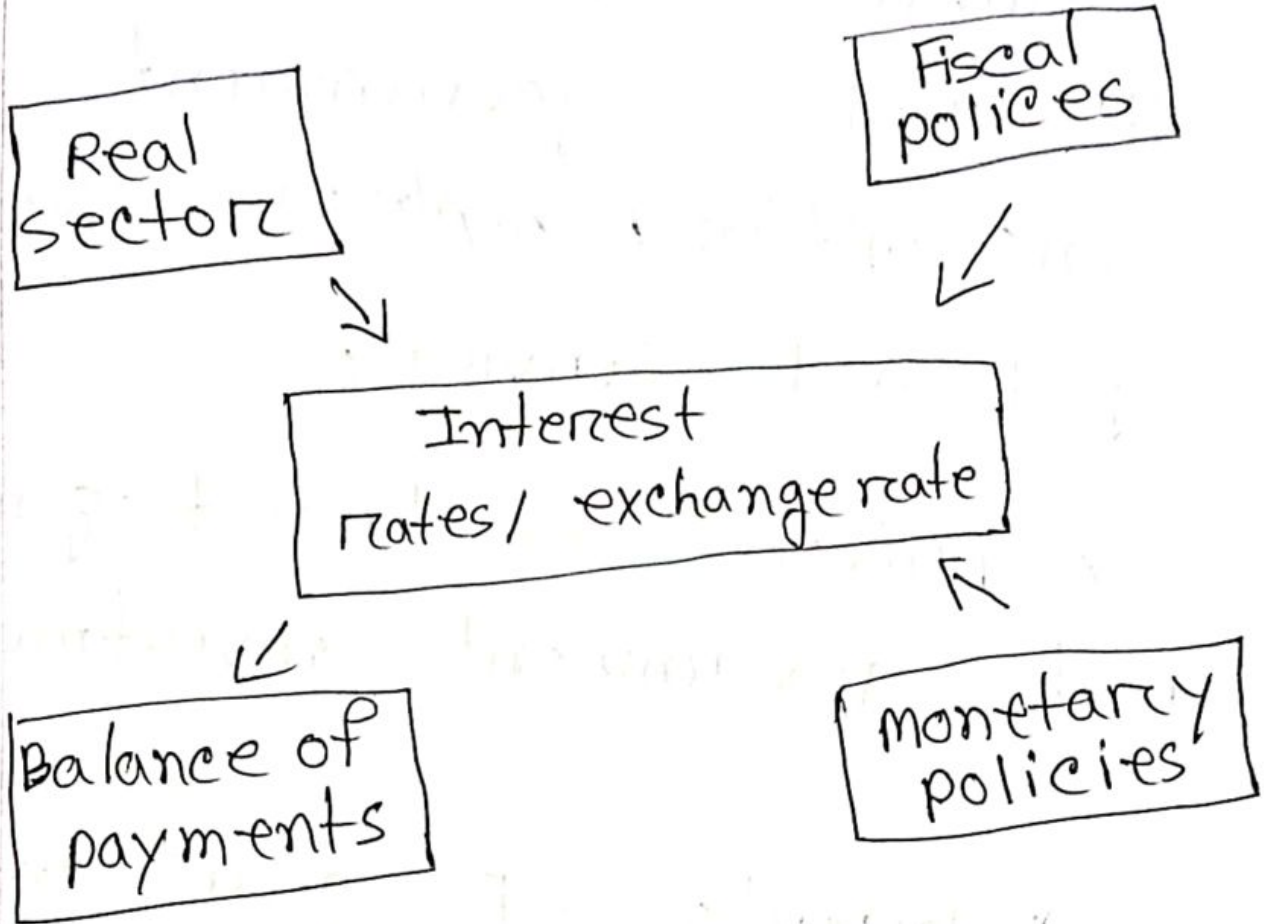
A macroeconomic framework is a set of sectoral

(part) (7)

projections consistent with
each other, consistent with
the policy framework, and
consistent with the macro-
economic goals.

macroeconomic Frameworks
capturing linkages between
sectors are below:

(Patil) 18



Explain :-

(p.t.10) (19)

Real sector : (Interest rates)

* private consumption

general government

consumption. Example: wages,
good and service.

* private investment. general

real government investment.

* Imports of goods and

non factor services.

(p.t.o) (20)

Fiscal policies : (Interest rates)

- * Revenues.
- * Grants.
- * Expenditures.
- * Current.
- * Capital.
- * Financing.
- * Banking system (etc)

Balance of payment : (Interest rates)

Current Account -
* Exports of goods and nonfactor services.

- * Transfers.

(P. 110) ②

- * official
- * private

capital Account:-

- * Direct investment.

- * medium and long term

capital. (private sector)

- * short term capital. (government)

monetary policies :- (exchange rate)

(p.t.o) ⁽²²⁾

* monetary authorities :-

* local currency

* stocks

Net Foreign assets

* net domestic assets :-

* net credit to government
sector

* credit to banks

* other item

Re Reserve money :

+ currency

+ Banks reserves.

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(p.t.o) (23)

Ans to the que No: 6

what do you know about
income method are bellow:-

The income approach is an evaluation methodology used for real estate estimation which is computed by dividing the capitalisation tariff or price by the net operating income of the rental payment. Investors use this

(p.t.o) (24)

computation to value properties based on their profitability.

Describe Income method :-

This methodology approaches national income from the allocation facet. To put it in other words, this methodology quantifies national income at the stage of allocation and appears as the income paid or received by individuals of

(p.t.o)

(25)

the nation. Hence, under this methodology national income is attained by adding up the earning of all the individuals of a nation. Individuals earn by contributing their own service and the services of their own services and the services of their properties such as land and

(p.t.o) 26

capital to the national production

□ circular flow of income

In Two-sector Economy :-

* Hence :- National income is computed by summing up the rent of a land, salaries of employees and wages, interest on capital, surplus profit of entrepreneurs (including unallocated corporate profits), and earnings of self-employed people. This method

(A+O) (27)

dology of evaluating national
income has a great advan-
tage of including the
allocation of national income
among different earning
group such as :-

* workers.

* Landlords.

* Entrepreneurs

* owner of capital.

(P.T.O)

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As mentioned earlier, the sum of final expenditures in the economy must be equivalent to the income received by all the factors of manufacturing taken together. This follows from the simple notion that the revenues earned by all the enterprises put together must be allocated among the factors of manufacturing as profit, salaries, wages and

(p.t.o) (29)

rent,

this is the about income
method.

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end

(P.T.O) (20)