Mid Term Assessment

Fall Semester : 2022

BBA Program

Course title : Macro Economic

Course code : ECO - 219

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## Answer to the question No: 4

**Product method**: Product method is that method, which measure domestic money by estimating the contribution of each enterprise to production in the domestic territory of the country in an accounting year. Product method or Value added method is also known as Industrial Origin Method or Net output Method or inventory method or Commodity service method.

## Answer to the Question No: 4

**Wage flexibility**: The classical economists also believe that in decline in product demand would lead to a fall in the demand for labour resulting in Unemployment. However, the wage rate would also fall and competition among unemployment workers would force them to aceept lower wages rather than remain Unemployment. The process will continue untill the wage rate falls enough to clear the labour market.

Answer to the question No: 2

Differentiation between Microeconomic and macroeconomic.

| Microeconomic | Macroeconomic. |
|---|---|
| 1. Microeconomic studies individual economic units. | 1. Macroeconomic studies economy as a whole. |
| 2. Microeconomic variables are consumer's demand, producers supply etc. | 2. Macroeconomic variables are aggregate demand and aggregate supply etc. |
| 3. Central issue of microeconomics is allocation of resources and price determination. | 3. whereas central issue of macroeconomics is determination of overall level of output and employment. |
| 4. Microeconomic deals with individual income, individual prices and individual output. | 4. Macroeconomic deals with aggregate national income, aggregate national output and general price level. |
| 5. It is called as price theory as it deals with price and quantity. | 5. It is called as income theory as it deals with overall output and employment. |

## Answer to the question No: 1

**Macro Economics:** Macro economics is a study of the economy as a whole, and the variables that control the macro-economy.

**Scope of Macroeconomics:** the scope of macro economic has been explained as under :—

1. **theory of National income:** Macro economies studies the concept of National Income its different elements methods of its measurement and social accounting.

2. **Theory of Employment:** It studies the problem of employment and unemployment. There are different factors which determine employment.

P.T.O

3. Macro theory of distribution: there are macro economic theories of distribution. These theories try to explain how the national output is distributed among the factors of production.

4. Economic development: Economic development is a long term process. In it, we analyzieo the problem of theory of development.

5. Theory of National trade: It also study principle determining trade among different countries.

6. theory of money: changes in demand and supply of money effect level of employment.

7. theory of Business function: It also deals with the fluctuation in the level of employment, total expenditure and general price level.

8. theory of general price level: A continuous rise in the price level is called Inflation. It distors production.

## Answer to the question No: 3

**National income:** National income or national product is defined as the total market value of all the final goods and service produced in an economy in a given period of time.

there are many concepts of national income which are used by different economists and all of which are inter-related.

**Dimentions of National income:** Some of the dimention of national incomes are given below:

**final Goods:** final Goods are those goods which have crossed the boundary line of production, and are ready for use by their final user.

P.t.o

Intermediate Goods : There are those goods which are not out of the boundary line of production and are yet not ready for use their final user.

Depreciation : A reduction in the value of an asset with the passage of time, due in particular to wear and tear.

Change in stock : It is measured in the ~~closing~~ different between "closing stock" of the accounting year and "opening stock" of the accounting year.

$GDP_{mp}$ : $GDP_{mp}$ refers to the market value of final Goods and service produced within the domestic territory of a country during a year.

$GNP_{mp}$ : Gross national product is the total market value of all final goods and services product annually in a country plus net factor income from abroad.

Answer to the question No: 6

**Income method**: Income method is also known as factor cost method. Under this method, National income is obtained by adding the incomes such as, rent, wages, interest and profit received by all persons in the country during a year. In practice the income figures are obtainable from income tax returns, books of accounts and published accounts. to this net income from foreign trade and net investment from abroad should be added.

According to income method, the net income payment received by all citizen of a country in a particular year are added up.

NDP = Compensation of employees + operating Surplus + Mixed income.

P.T.O

Components of ~~National~~ income method.

Compensation of Employee : It includes Wages and salaries in cash, Employers Contribution to social Security scheme, pension on retirement, Bonus, Allowance etc.

Operating Surplus : It includes rent and royality, interest, Profit (divident + corporation tax + undistributed Profit).

Mixed Income : It is the income of Self employed persons such as farmers, Shopkeeps, doctors etc. they generate goods and services with the help of their own land, capital and labour and thus earned mixed income in the form of interest, profit ~~(dividened + corporation tax + Undistributed profits~~. and wages. this income include in the National Income.