**Macro Economics**

**December 2021 Examination**

**Q1. Explain the Major Scope of Macro Economics (10 Marks)**

**Answer 1.**

**Introduction:**

**Macroeconomics:** In macroeconomics, there is an economic theory or a department of economics which focuses on the theory of the overall economy. Differently speaking, it can be said that it is considerably much more than a gadget that does not consider financial devices like companies, families, individuals, etc. as apart of the same device, but as part of one device. In monetary terms, it facilitates the analysis of how the total amount of cash in a country affects the level of interest in that country. In macroeconomics, aggregate costs, aggregate supply, and Its Half solved only

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**Q2. Explain the Three Sector Model of Economy with its Genesis & Circular Flow of Income in 3 Sector Economies. (10 Marks)**

**Answer 2.**

**Introduction:**

**Circular flow of income:** In an economy, circular flow of income can be defined as the non-stop and unending flow of revenue, expenditure, and production of products and services. For example, one can say that the circular flow of profits depicts the redistribution of an economy's gains in a round-about way between the households and the manufacturing units in a financial system. There are four elements that constitute the circular glide of an economy: land, labor,

**3.a. You are given the following data. Calculate GNP and GDP at factor cost. (5 Marks)**

|  |  |
| --- | --- |
| **GNPMP** | **700** |
| **Indirect Taxes** | **70** |
| **Subsidies** | **40** |
| **NFIA** | **150** |
| **Depreciation** | **50** |
| **Transfer payments** | **15** |
| **Retained Earnings of Companies** | **25** |
| **Personal Taxes** | **15** |
| **Personal Savings** | **80** |

**Answer 3a.**

**Introduction:**

**GDP (Gross Domestic Product):** GDP is the gross market value of an economy's finished goods and the value of its offered goods or services in economic terms synthesized inside the country's boundaries over a certain period of time

**3.b. Explain J B Say’s Law of Market. (5 Marks)**

**Answer 3b.**

**Introduction**

**JB Say’s law of market:** Jean-Baptiste Say, a very famous French economist, was the one who developed Say's market law in 1803. It is well known that the JB Say's Law of market theory is based on the classical economics theory that the ability to purchase goods on the market depends on the ability to generate income