**Macro Economics**

**December 2022 Examination**

**1. The injections and leakages play an important role in the circular flow of income. Explain it in the context of two sector economy. (10 Marks)**

**Ans 1.**

**Introduction**

The circular flow of income is a monetary system that portrays how cash or profits tends to stream across various industries. A basic financial system assumes that there are just fields: businesses and property owners. Families are both consumers of products and service providers of FOPs (land, venture, funding & labor). On the other hand, the firm segment manufactures and offers solutions and items to residences. Leakages are cash withdrawals from a nation's economic equilibrium of settlements. Leaking from a country's economic income circular flow happens when firms and families conserve quite a section of their earnings. Leakage (likewise

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**2. The relationship between the rate of interest and levels of income explains the equilibrium in the money market. Explain it in the context of LM curve analysis. (10 Marks**

**Ans 2.**

**Introduction**

The IS-LM framework, which initially stood for "financing" (IS) and "money demand renew" (LM), is a Neoclassical growth framework that demonstrates how the economic climate for fundamental assets (IS) enters into contact with the debt development market (LM), likewise called the economic markets. The brief stability between borrowing expenses and manufacturing is depicted as a diagram where the IS and LM curves link. The LM curve represents the collection of all revenue (GDP) and exchange rate tiers at which financial base equivalent cash

**3. a. From the following data, calculate GDP at Factor Cost and GDP at Market Price(5 Marks)**

|  |  |
| --- | --- |
| **Items** | **Rs (in crores)** |
| **Gross investment** | **90** |
| **Net exports** | **10** |
| **Net indirect Taxes** | **5** |
| **Depreciation** | **15** |
| **Net factor income from abroad** | **-5** |
| **Private consumption expenditure** | **350** |
| **Government purchases of goods and Services** | **100** |

**Ans 3a.**

**Introduction**

Gross Domestic Product (GDP) is the market rate, revealed in nationwide money, of all commodities and services generated by a country over a certain period. It is one of the most specific dollar amounts of a country's substantial financial exercise. Private usage of products and services includes all personal spending, public spending, economic possessions, and resource

**3b. Differences between Frictional and Structural Unemployment (5 Marks)**

**Ans 3b.**

**Introduction**

Frictional joblessness occurs in employees looking for new chances or moving from old jobs to more recent models. It is likewise referred to as "losses until the end" since it is unassociated with the variables that lead to an underachieving financial system. This consists of new