**Macro Economics**

**April 2023 Examination**

**1. The Central Bank or government can intervene to control and stabilize the exchange rate when the situation starts becoming unfavourable. Justify this statement (10 Marks)**

**Ans 1.**

**Introduction**

The central bank can be defined as an apex financial organization of a kingdom. The bank controls and manages the contraction and expansion of the cash delivered into the economy. It is responsible for administering the operations of the country's banking machine.

A valuable bank is the United States of America's pinnacle financial institution because it deals with all the country's commercial banks and not with most people. Not only commercial banks. It also offers rural banks, cooperative banks, and development banks. Most of these banks maintain their deposit accounts and allot finances to them as advances every time

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**2. Explain how the Reserve Bank of India increases the supply of money in economy? What are the major objectives of the increase in money supply? (10 Marks)**

**Ans 2.**

**Introduction**

RBI also stands because of the reserve bank of India, the country's critical bank, which started its operations in 1935 under the RBI act. The RBI uses financial policy to form financial stability and regulates India's credit systems and currency.

The primary reason for the reserve bank of India is to implement consolidated supervision of the financial sector in India, which includes financial institutions, commercial banks, and non-banking finance firms. Initiatives used by the reserve bank of India involve restructuring

**3a. From the following data, calculate National Income at Factor Cost (5 Marks)**

|  |  |
| --- | --- |
| **Items** | **Rs (in crores)****(In crores)** |
| **Gross value of output in Primary sector** | **900** |
| **Gross value of output in Secondary sector** | **800** |
| **Gross value of output in Tertiary sector** | **400** |
| **Intermediate Consumption in Primary Sector** | **350** |
| **Intermediate Consumption in Secondary Sector** | **320** |
| **Intermediate Consumption in Tertiary Sector** | **100** |
| **Consumption of Fixed Capital** | **80** |
| **Net Indirect Taxes** | **85** |
| **Net Factor Income Earned from Abroad** | **-15** |

**Ans 3a.**

**Introduction**

National income defines a nation's wealth. The sales or income depicts the value of offerings and goods that are produced by a country. This impacts the net result of all the economic activities done within the state.

How would we describe a state's wealth without any economic term? In this situation, there

**3b. Differences between Flow and Stock (5 Marks)**

**Ans 3b.**

**Introduction**

|  |  |  |
| --- | --- | --- |
| **Basis for comparison** | **Stock** | **Flow** |
| Meaning | Stock may be defined as the to-be had or accrued quantity of any commodity at a selected event | Flow states the motion of the commodity, from the supply to the final destination, over time. |