PGDM (Retail Management), Batch 2013-15
Macro Economics for Decision Making
Subject Code RM 207
Batch 2013-15
Trimester II; End Term Examination

Time allotted: 2.5 Hours

Maximum marks: 50

Roll No. ____________

Instructions: Students are required to write their Roll No. on every page of the question paper. Writing anything except the Roll No. will be treated as **unfair means**. In case of rough work please use answer sheet

Section A: Please attempt any three out of the five given questions (5 marks each)

1. What do you understand by the following terms: Gross Domestic Product at market price and Net Domestic product at factor cost?
2. A country's exports are dependent on other countries GDP and disposable income. Discuss.
3. What do you understand by Investment Spending?
4. What are the three motives behind demand for money?
5. What do you mean by money supply?

Section B: Please attempt any two out of the three given questions: (10 marks each)

1. While Government expenditure is considered as an exogenous factor, tax revenue is an endogenous factor. Why. Also, discuss the impact of these on the multiplier
2. Discuss the inflationary and recessionary gap with the help of income-expenditure method
3. The aggregate demand curve plots the negative relationship between the level of GDP and the price level that would be consistent with desired spending being equal to actual production or GDP. Discuss.

Section C: Case Study [Compulsory] [15 marks]

The consumer goods industry saw its sales falling further in September as Indian households cut back their expenditure on goods such as soaps, shampoos and food items. While slide in consumption has been seen over the past year, sales growth got decelerated to 5.3 percent in September as against 7.3 percent growth in August and 7.9 percent sales growth in July.

Industrial output showed signs of a rebound in September with a marginal growth rate of hardly 0.4% as compared to -0.7% in the same month last year. Capital goods sector, a key indicator of industrial activity, in fact, declined by 6.8% in September. Consumer durable goods declined by10.8% in September. Overall, GDP growth is expected to get contained below 5.0% during the current year.

However, inflation in terms of retail prices continues to hover around 9.0 percent. Being concerned over the continuing inflationary pressure, RBI in its latest policy measures raised repo rate by 0.25% to 7.75%.

What should have been the policy approach keeping in view the prevailing slow down in economy but at the same time continuing inflationary pressure?