

**ALLAMA IQBAL OPEN UNIVERSITY ISLAMABAD
(Department of Business Administration)**

MACRO ECONOMICS (185)

CHECKLIST

SEMESTER: AUTUMN 2013

This packet comprises the following material:

1. Text Book
2. Course Outline
3. Assignment No.1 and 2
4. Assignment Forms (two sets)

If you find anything missing, in this packet, out of the above mentioned material, please contact at the address given below:

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WARNING

- 1. PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM AWARD OF DEGREE/CERTIFICATE, IF FOUND AT ANY STAGE.**
- 2. SUBMITTING ASSIGNMENTS BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIOU PLAGIARISM POLICY".**

Course: Macro Economics (185)
Level: BBA

Semester: Autumn 2013
Total Marks: 100

ASSIGNMENT No. 1
(Units: 1–4)

- Q. 1 Define national income. Also explain difficulties in measurement of national income. **(20)**
- Q. 2 Explain the following:
- a) Determinants of investment **(10)**
 - b) Marginal efficiency of capital **(10)**
- Q. 3 Discuss in detail, the inflationary and deflationary gap. **(20)**
- Q. 4 (a) Define central bank and discuss its functions. **(10)**
(b) Explain instruments and objectives of monetary policy. **(10)**
- Q. 5 Discuss the effects of government spending and taxation on output. **(20)**

ASSIGNMENT No. 2
(Units: 5–9)

Total Marks: 100

- Q. 1 Define inflation and discuss its types with causes. **(20)**
- Q. 2 What is international trade? Also explain international trade theory. **(20)**
- Q. 3 (a) Discuss equilibrium in balance of payments. **(10)**
(b) Explain the causes and consequences of balance of payment disequilibrium. **(10)**
- Q. 4 (a) What is foreign exchange rate? Explain with example. **(10)**
(b) Discuss the types of foreign exchange rate. **(10)**
- Q. 5 Briefly discuss GATT and WTO. **(20)**

GUIDELINES FOR ASSIGNMENTS

You should look upon the assignments as a test of knowledge, management skills, and communication skills. When you write an assignment answer, you are indicating your knowledge to the teacher:

- Your level of understanding of the subject;
- How clearly you think;
- How well you can reflect on your knowledge & experience;
- How well you can use your knowledge in solving problems, explaining situations, and describing organizations and management;
- How professional you are, and how much care and attention you give to what you do.

To answer a question effectively, address the question directly, bring important related issues into the discussion, refer to sources, and indicate how principles from the course materials apply. You must also be able to identify important problems and implications arising from the answer.

For citing references, writing bibliographies, and formatting the assignment, APA format should be followed.

Prepare your assignments as per the guidelines and it may be re-evaluated by the Quality Assurance Cell, Department of Business Administration at any time.

MACRO ECONOMICS Course Outline (BBA–185)

Unit 1: The Measurement of National Income

- Concept and measurement of national income
- Gross national output and gross national expenditure
- Difficulties in the measurement of national income
- National income and circular flow of income and expenditure

Unit 2: Determination of Equilibrium Level of Income

- Consumption function and the determination of equilibrium level of income and output.
- Inflationary and deflationary gap
- Determinants of investment and the marginal efficiency of capital

Unit 3: Fiscal Policy and Aggregate Demand

- Public versus private finance
- Government spending: taxes and transfer
- Government and aggregate demand
- Effect of government spending on output
- The effects of taxation on output
- The combined effects of spending

Unit 4: Money, Banking and Monetary Policy

- Money: definition and functions of money
- Functions of central bank and commercial banks
- Money demand, money supply and the determination of interest rate
- Monetary policy, instruments and objectives of monetary policy

Unit 5: Inflation and Unemployment

- Different types of inflation, causes and consequences
- Different types of unemployment and causes
- Relation between inflation and unemployment
- Methods of controlling inflation and unemployment

Unit 6: International Trade

- Need for international trade
- International trade theory
- Principle of absolute and comparative advantage

Unit 7: Balance of Payments

- Structure of balance of payments
- Equilibrium in the balance of payments
- Causes and consequences of balance of payments disequilibrium
- Methods of controlling balance of payments disequilibrium

Unit 8: Determination of Foreign Exchange Rate

- Relationship between international trade, balance of payments and the determination of exchange rate
- Types of foreign exchange rate determination system
- Fixed, floating and flexible exchange rates and their advantages and disadvantages

Unit 9: International Financial Systems and Economic Growth

- International Monetary Fund: structure, functions and role in the determination of exchange rate system
- World Bank: functions and role in development of less developed countries
- GATT, rounds of GATT and the New World Order, World Trade Organization (WTO).

Recommended Book;

Economic Theory Volume: II by Ch. Muhammad Hussain

