

**University of Mumbai**



**BCom Banking and Insurance  
Second Year Semester IV  
Revised Syllabus  
and  
Question Paper Pattern  
of  
Economics II  
Under Choice Based Credit, Grading  
and  
Semester System  
*With effect from Academic Year-2017-2018***

***Board of studies in  
Business Economics***

## **ECONOMICS II**

### **MACROECONOMICS**

#### **Preamble**

An overall approach to macroeconomics is to examine the economy as a whole. This course is an introduction to the basic analytical tools of macro economics and is designed to make system of overall economy understandable and relevant. The aim is to provide a clear explanation of many aspects of aggregate economic variables to inspire a consistent way of thinking about key macroeconomic phenomena. It intends to familiarize the commerce students with basic concepts of macroeconomics in order to understand certain common features of economic occurrence in the real world.

In order to understand the media reporting of macroeconomic events and to analyze current economic happenings, it is strongly recommended to constantly update the students' knowledge by holding class room discussions on related articles from academic journals and financial news papers.

# **BCom Banking and Insurance**

## **Second year**

### **Semester IV**

#### **Revised Syllabus**

**ECONOMICS II**

**MACROECONOMICS**

***With Effect from the Academic Year 2017-2018***

#### ***List of Modules***

| <b>Module No.</b>            | <b>Title</b>   | <b>No.of Lecture</b> |
|------------------------------|--|----------------------|
| 1                            | <b>Introduction to Macroeconomic Data and Theory</b>           | 15                   |
| 2                            | <b>Money, Inflation and Monetary Policy</b>                    | 15                   |
| 3.                           | <b>Constituents of Fiscal Policy</b>                           | 15                   |
| 4                            | <b>Open Economy : Theory and Issues of International Trade</b> | 15                   |
| <b>Total no. of lectures</b> |  | <b>60</b>            |

| Sr. | Modules / Units   |
|-----|---|
| 1   | <b>INTRODUCTION TO MACRO ECONOMICS</b>  |
|     | <ul style="list-style-type: none"> <li>• <b>Macroeconomics:</b> Meaning, Scope and Importance.</li> <li>• <b>Circular flow of aggregate income and expenditure:</b> closed and open economy models</li> <li>• <b>The Measurement of national product:</b> Meaning and Importance - conventional and Green GNP and NNP concepts - Relationship between National Income and Economic Welfare.</li> <li>• <b>Short run economic fluctuations :</b> Features and Phases of Trade Cycles</li> <li>• <b>The Keynesian Principle of Effective Demand:</b> Aggregate Demand and Aggregate Supply - Consumption Function - Investment function - effects of Investment Multiplier on Changes in Income and Output</li> </ul>               |
| 2   | <b>MONEY, INFLATION AND MONETARY POLICY</b>   |
|     | <ul style="list-style-type: none"> <li>• <b>Money Supply:</b> Determinants of Money Supply - Factors influencing Velocity of Circulation of Money</li> <li>• <b>Demand for Money :</b> Classical and Keynesian approaches and Keynes' liquidity preference theory of interest</li> <li>• <b>Money and prices :</b> Quantity theory of money - Fisher's equation of exchange - Cambridge cash balance approach</li> <li>• <b>Inflation:</b> Demand Pull Inflation and Cost Push Inflation - Effects of Inflation- Nature of inflation in a developing economy.</li> <li>• <b>Monetary policy :</b> Meaning, objectives and instruments, inflation targeting</li> </ul>   |
| 3   | <b>CONSTITUENTS OF FISCAL POLICY</b>  |
|     | <ul style="list-style-type: none"> <li>• <b>Role of a Government</b> to provide Public goods- Principles of Sound and Functional Finance</li> <li>• <b>Fiscal Policy:</b> Meaning, Objectives - Contra cyclical Fiscal Policy and Discretionary Fiscal Policy</li> <li>• <b>Instruments of Fiscal policy :</b> Canons of taxation - Factors influencing incidence of taxation - Effects of taxation Significance of Public Expenditure - Social security contributions- Low Income Support and Social Insurance Programmes - Public Debt - Types, Public Debt and Fiscal Solvency, Burden of debt finance</li> <li>• <b>Union budget</b> -Structure- Deficit concepts-Fiscal Responsibility and Budget Management Act.</li> </ul> |

- **The basis of international trade** : Ricardo's Theory of comparative cost advantage - Heckscher – Ohlin theory of factor endowments - terms of trade - meaning and types - Factors determining terms of trade - Gains from trade - Free trade versus protection
- **Foreign Investment** : Foreign Portfolio investment- Benefits of Portfolio capital flows- Foreign Direct Investment - Merits of Foreign Direct Investment - Role of Multinational corporations
- **Balance of Payments:** Structure - Types of Disequilibrium - Measures to correct disequilibrium in BOP.
- **Foreign Exchange and foreign exchange market** : Spot and Forward rate of Exchange - Hedging, Speculation and Arbitrage -Fixed and Flexible exchange rates- Managed flexibility

| <b>Reference Books</b> |  |
|------------------------|--|
|                        | Ackley.G (1976), Macro Economic Theory and Policy, Macmillan Publishing Co. New York                               |
|                        | Ahuja. H.L., Modern Economics — S.Chand Company Ltd. New Delhi.  |
|                        | Bhatia H.L.: Public Finance. Vikas Publishing House Pvt. Ltd   |
|                        | Dornbush , Fisher and Startz, Macroeconomics, Tata-Mac Graw Hill, New Delhi.                                       |
|                        | Dwivedi, D.N. (2001), Macro Economics: Theory and Policy, Tata-Mac Graw Hill, New Delhi.                           |
|                        | Friedman Hilton (1953) Essays in Positive Economics, University of Chicago Press, London.                          |
|                        | Francis Cherunilam International Economics Tata McGraw – Hill Publishing co.Ltd.New Delhi.                         |
|                        | Gregory .N. Mankiw, Macroeconomics, Fifth Edition (2002) New York:Worth Publishers                                 |
|                        | Jhingan, M.L., Principles of Economics — Vrinda Publications (P) Ltd.  |
|                        | Jhingan M.L. – International Economics – Vrinda publication Pvt. Ltd - Delhi                                       |
|                        | Musgrave, R.A and P.B. Musgrave (1976) : Public Finance in Theory and Practice, Tata McGraw Hill, Kogakusha, Tokyo |
|                        | Shapiro, E (1996), Macro-Economic Analysis, Golgotha Publication, New Delhi.                                       |
|                        | Singh.S.K. (2014): Public finance in Theory and Practice, S.Chand &co Pvt Ltd, New Delhi                           |
|                        | Salvatore Dominick – International Economics – John Wiley & sons, Inc Singapore                                    |
|                        | Vaish .M.C. (2010) Macro Economic Theory 14th edition, Vikas Publishing House(P)Ltd                                |

## QUESTION PAPER PATTERN

### Economics II Semester IV

**Maximum Marks:** 75 Marks

**Time:** 2:30 Hours

**Note:** 1) Attempt all Questions

2) All Questions carry equal marks

| Question                | Particulars  | Marks                        |
|-------------------------|--|------------------------------|
| Q-1 (from Module I)     | <b>Answer any two</b><br>A) Full Length Question<br>B) Full Length Question<br>C) Full Length Question   | <b>15Marks</b>               |
| Q-2 (from Module II)    | <b>Answer any two</b><br>A) Full Length Question<br>B) Full Length Question<br>C) Full Length Question   | <b>15Marks</b>               |
| Q-3 (from Module III)   | <b>Answer any two</b><br>A) Full Length Question<br>B) Full Length Question<br>C) Full Length Question   | <b>15Marks</b>               |
| Q-4 (from Module IV)    | <b>Answer any two</b><br>A) Full Length Question<br>B) Full Length Question<br>C) Full Length Question   | <b>15Marks</b>               |
| Q-5 (from Module I- IV) | <b>Objective Question</b><br>A) Conceptual questions (any Four out of six questions)<br>B) Multiple Choice Questions (seven questions at least one from each module) | <b>15Marks</b><br>(8)<br>(7) |