

Roll No: -----



UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, May 2018

Program: BBA-FAS/MM

Subject (Course): Business Economics

Course Code: ECON1002

No. of page/s: 6

Semester – II

Max. Marks : 100

Duration : 3 Hrs

SECTION – A (20 Marks)

Choose the correct option :- (1 Mark each)

- Autonomous consumption is:
 - a function of disposable income
 - function of national income
 - a function of GDP
 - a function of saving
 - independent of the level of income
- After the implementation of New Economic Policy, Reserve Bank of India has no rule in intervening the exchange rate. True or False.
- An increase in aggregate demand is more likely to lead to demand-pull inflation if:
 - Aggregate supply is perfectly elastic
 - Aggregate supply is perfectly inelastic
 - Aggregate supply is unit elastic
 - Aggregate supply is relatively elastic
- When a foreign central bank devalues its currency it
 - Lowers the dollar price of its currency
 - Raises the dollar price of its currency
 - Purchases dollars in the foreign exchange market
 - Sells dollars in the foreign exchange market
- When the $MPS = 0.30$ and autonomous consumption is \$30 billion, then
 - the $MPC = 0.30$
 - consumption spending = \$10 billion
 - consumption spending = \$900 billion
 - the $MPC = 0.70$
 - the $MPC = 1.00$
- The Phillips curve
 - is a relationship between unemployment rate and output growth rate.
 - is a relationship between inflation rate and unemployment rate.
 - is a relationship between employment rate and inflation rate.

7. Transfer payments
- are considered a part of the current economic activities.
 - are included in national income.
 - are considered in personal income.
8. The period of high inflation, low economic growth and high unemployment is termed as:
- Stagnation
 - take-off stage in economy
 - stagflation
 - none of these
9. The demand for money exists for three motives. Name them. (2 marks)
10. Cost push inflation arises due to
- Persistent rise in factor cost
 - Mismatch between demand and supply of commodities
 - Combine phenomena of demand pull and cost-push inflation
 - Increase in price of precious metal
11. Net factor income from abroad is equal to
- NNP at market price – NDP at market price
 - NDP at market prices – Indirect taxes + Subsidies
 - NDP at factor cost + Depreciation
 - NNP at market prices + Depreciation
12. Cheap Money implies :
- low rate of interest
 - low level of savings
 - low level of income
 - excess of bank money
13. Macroeconomics is concerned with
- The level of output of goods & services
 - The general level of prices
 - The growth of real output
 - All of the above
14. Unemployment that arises when there is a general downturn in business activity is known as
- Frictional unemployment
 - Structural unemployment
 - Cyclical unemployment
 - Disguised unemployment
 -
15. According to Keynes consumption theory, which of the following is correct:
- $MPC > APC$
 - $MPC < APC$
 - $MPC = APC$
 - None of the above
16. Balance of trade is
- The difference between balance on current account and capital account
 - Same as the balance of merchandize trade
 - Same as the balance of current account
 - Overall BoP balance
17. Inflation:
- Always reduces the cost of living
 - Always reduces the standard of living

- c) Reduces the price of products
- d) Reduces the purchasing power of a rupee

18. Which of the following can start an inflation?

- a) an increase in aggregate demand
- b) an increase in aggregate supply
- c) a decrease in aggregate supply
- d) Both answers A and C are correct

19. Natural rate of unemployment consists of two types of unemployment and

- a) Frictional unemployment and disguised unemployment
- b) Structural unemployment and frictional unemployment
- c) Structural unemployment and disguised unemployment
- d) Frictional unemployment and seasonal unemployment

SECTION - B (20 marks)

Answer any 4 questions. Each question carries 5marks.

20. Explain different phases of Business Cycles. (With suitable diagram)

21. Differentiate between the following:

- a) Devaluation & Depreciation
- b) Galloping Inflation and Hyperinflation

22. An article discussing the decline in the manufacturing sector in Australia observed that: “The strong Australian dollar has played its part.”

- a) What does the author mean by a “strong Australian dollar”?
- b) Why would a strong Australia dollar cause problems for Australian Manufacturers?

23. Fill in the missing values in the following tables of data collected in the household survey for May 2013:

Working Age population	
Employment	150,00,000
Unemployment	
Unemployment rate	7.5%
Employment-population ratio	
Labor force	
Labor force participation rate	65%

24. Does balance of payment always balances? Comment.

SECTION - C (30 Marks)

Answer any two questions :- (15 marks each)

25. Discuss various measures (both fiscal and monetary) to control inflation in an economy.
26. What is absolute advantage? What is comparative advantage? Is it possible for a country to have a comparative advantage in producing a good without having an absolute advantage? Briefly explain.
- 27.

- a) What do you mean by CPI? Give the formula for calculating CPI.
- b) In 1540, when Sher Shah seized control of India from Humayun, his average residents spent 40% of their total annual consumption budget on food, 20% on fuel, 20% on clothes and 20% on education. In 1545, the King sat down with his vizier to find out whether the standard of life has improved or worsened over the period. They pulled out some data:

Commodities	Price in Rupees		Basket of goods for both the years
	Year 1545	Year 1540	
Potatoes	52	50	10kgs
Fuel	27	25	18litres
Clothes	17	15	80m
Education	90	100	6books

Over the five years, there was little change in the residents' spending preferences. Help the king determine whether people are feeling richer or poorer.

SECTION - D (30 Marks)

Answer any one question.

Question 29 has two parts. If you are attempting question 29 you have to attempt both the parts. Each part of the question carries 15 marks.

28. The macroeconomic crisis of 1990 erupted in the form of three major problems. Discuss and what were the economic reforms undertaken by the government to deal with the crisis.

(30 marks)

29.

1. Use the data in the following table to calculate the GDP deflator for each year (values in billion dollar):

Year	Nominal GDP	Real GDP
2008	14,720	14,834
2009	14,418	14,418
2010	14,958	14,779
2011	15,534	15,052
2012	16,245	15,471

Which year from 2009 to 2012 saw the largest percentage increase in the price level, as measured by changes in the GDP deflator?

2. Calculate national income by a) Income Method b) Expenditure Method:

Item	Rs. (in crore)
Government final expenditure	1,000
Profits	700
Net indirect taxes	110
Private final consumption expenditure	1,500
Net exports	(-)20
Compensation of employees	1,200
Rent	200
Interest	270
Net factor income from abroad	30
Mixed income of self employed	600
Gross domestic capital formation	700
Net domestic capital formation	600

Roll No: -----



UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, May 2018

Program: BBA-FAS/MM

Subject (Course): Business Economics

Course Code: ECON1002

No. of page/s: 6

Semester – II

Max. Marks : 100

Duration : 3 Hrs

SECTION – A (20 Marks)

Choose the correct option :- (1 Mark each)

1. When a foreign central bank devalues its currency it
 - a) Lowers the dollar price of its currency
 - b) Raises the dollar price of its currency
 - c) Purchases dollars in the foreign exchange market
 - d) Sells dollars in the foreign exchange market

2. Transfer payments
 - a) are considered a part of the current economic activities.
 - b) are included in national income.
 - c) are considered in personal income.

3. Autonomous consumption is:
 - a) a function of disposable income
 - b) function of national income
 - c) a function of GDP
 - d) a function of saving
 - e) independent of the level of income

4. After the implementation of New Economic Policy, Reserve Bank of India has no rule in intervening the exchange rate. True or False.

5. An increase in aggregate demand is more likely to lead to demand-pull inflation if:
 - a) Aggregate supply is perfectly elastic
 - b) Aggregate supply is perfectly inelastic
 - c) Aggregate supply is unit elastic
 - d) Aggregate supply is relatively elastic

6. The Phillips curve
 - a) is a relationship between unemployment rate and output growth rate.
 - b) is a relationship between inflation rate and unemployment rate.
 - c) is a relationship between employment rate and inflation rate.

7. When the $MPS = 0.30$ and autonomous consumption is \$30 billion, then
- the $MPC = 0.30$
 - consumption spending = \$10 billion
 - consumption spending = \$900 billion
 - the $MPC = 0.70$
 - the $MPC = 1.00$
8. The period of high inflation, low economic growth and high unemployment is termed as:
- Stagnation
 - take-off stage in economy
 - stagflation
 - none of these
9. Net factor income from abroad is equal to
- NNP at market price – NDP at market price
 - NDP at market prices – Indirect taxes + Subsidies
 - NDP at factor cost + Depreciation
 - NNP at market prices + Depreciation
10. The demand for money exists for three motives. Name them. (2 marks)
11. Cost push inflation arises due to
- Persistent rise in factor cost
 - Mismatch between demand and supply of commodities
 - Combine phenomena of demand pull and cost-push inflation
 - Increase in price of precious metal
12. Cheap Money implies :
- low rate of interest
 - low level of savings
 - low level of income
 - excess of bank money
13. Macroeconomics is concerned with
- The level of output of goods and services
 - The general level of prices
 - The growth of real output
 - All of the above
14. Unemployment that arises when there is a general downturn in business activity is known as
- Frictional unemployment
 - Structural unemployment
 - Cyclical unemployment
 - Disguised unemployment
15. According to Keynes consumption theory, which of the following is correct:
- $MPC > APC$
 - $MPC < APC$
 - $MPC = APC$
 - None of the above
16. Balance of trade is
- The difference between balance on current account and capital account
 - Same as the balance of merchandise trade
 - Same as the balance of current account
 - Overall BoP balance

17. Natural rate of unemployment consists of two types of unemployment and

- a) Frictional unemployment and disguised unemployment
- b) Structural unemployment and frictional unemployment
- c) Structural unemployment and disguised unemployment
- d) Frictional unemployment and seasonal unemployment

18. Inflation:

- a) Always reduces the cost of living
- b) Always reduces the standard of living
- c) Reduces the price of products
- d) Reduces the purchasing power of a rupee

19. Which of the following can start an inflation?

- a) an increase in aggregate demand
- b) an increase in aggregate supply
- c) a decrease in aggregate supply
- d) Both answers A and C are correct

SECTION - B (20 marks)

Answer any 4 questions. Each question carries 5marks.

20. Does balance of payment always balances? Comment.

21. Explain different phases of Business Cycles. (With suitable diagram)

22. An article discussing the decline in the manufacturing sector in Australia observed that:
“The strong Australian dollar has played its part.”

- c) What does the author mean by a “strong Australian dollar”?
- d) Why would a strong Australia dollar cause problems for Australian Manufacturers?

23. Differentiate between the following:

- c) Devaluation & Depreciation
- d) Galloping Inflation and Hyperinflation

24. Fill in the missing values in the following tables of data collected in the household survey for May 2013:

Working Age population	
Employment	150,00,000
Unemployment	
Unemployment rate	7.5%
Employment-population ratio	
Labor force	

Labor force participation rate	65%
--------------------------------	-----

SECTION - C (30 Marks)

Answer any two questions :- (15 marks each)

25. What is absolute advantage? What is comparative advantage? Is it possible for a country to have a comparative advantage in producing a good without having an absolute advantage? Briefly explain

26. Discuss various measures (both fiscal and monetary) to control inflation in an economy.

27.

a) What do you mean by CPI? Give the formula for calculating CPI.

b) In 1540, when Sher Shah seized control of India from Humayun, his average residents spent 40% of their total annual consumption budget on food, 20% on fuel, 20% on clothes and 20% on education. In 1545, the King sat down with his vizier to find out whether the standard of life has improved or worsened over the period. They pulled out some data:

Commodities	Price in Rupees		Basket of goods for both the years
	Year 1545	Year 1540	
Potatoes	52	50	10kgs
Fuel	27	25	18litres
Clothes	17	15	80m
Education	90	100	6books

Over the five years, there was little change in the residents' spending preferences. Help the king determine whether people are feeling richer or poorer.

SECTION - D (30 Marks)

Answer any one question.

Question 29 has two parts. If you are attempting question 29 you have to attempt both the parts. Each part of the question carries 15 marks.

28. The macroeconomic crisis of 1990 erupted in the form of three major problems. Discuss and what were the economic reforms undertaken by the government to deal with the crisis.

(30 marks)

29.

(1) Use the data in the following table to calculate the GDP deflator for each year (values in billion dollar):

Year	Nominal GDP	Real GDP
2008	14,720	14,834
2009	14,418	14,418
2010	14,958	14,779
2011	15,534	15,052
2012	16,245	15,471

Which year from 2009 to 2012 saw the largest percentage increase in the price level, as measured by changes in the GDP deflator?

(2) Calculate national income by a) Income Method b) Expenditure Method:

Item	Rs. (in crore)
Government final expenditure	1,000
Profits	700
Net indirect taxes	110
Private final consumption expenditure	1,500
Net exports	(-)20
Compensation of employees	1,200
Rent	200
Interest	270
Net factor income from abroad	30
Mixed income of self employed	600
Gross domestic capital formation	700
Net domestic capital formation	600