UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2019

Course: Business Economics-II   **Semester: II**
Program: BBA Core/FT/E-business/A & IS   **Time: 03 Hours**
Course code: ECON1002   **Max. Marks: 100**

SECTION A

Q	*Answer all the questions below.*	Marks	CO
1	The investment multiplier tends to decrease, if the **A.** Marginal propensity to save increases **B.** Marginal propensity to save decreases **C.** Marginal propensity to consume increases **D.** None of the above	2	CO1
2	The phase of business cycle in which real output is at the minimum is a….. **A.** Peak **B.** Trough **C.** Recovery **D.** Recession	2	CO2
3	An unemployed person is considered structurally unemployed if he/she…….. **A.** Lack job skills **B.** Has resigned to look for another job **C.** Has been retrenched during a recession **D.** Has lost his/her job due to seasonal factors	2	CO3
4	The price tag of a toy bear is Rs. 95. This is an example of the function of money as a **A.** Store value **B.** Unit of account **C.** Medium of exchange **D.** Standard of deferred payment	2	CO4
5	Coins in people's pockets and purses are **A.** Included in M2 only **B.** Included in M1 and M2 **C.** Excluded from M1 and M2 **D.** Included in M1, but not in M2	2	CO4

SECTION B			
Q	*Answer all the questions below.*	**Marks**	**CO**

1	A short note on
	    A. Frictional Unemployment,
	    B. Structural Unemployment
	    C. Unemployment rate
		5	**CO3**

2	Distinguish between the following
	    A. Capital and investment
	    B. Autonomous and induced investment
	    C. Investment multiplier and accelerator
		5	**CO2, CO1**

SECTION-C			
Q	*Answer all the questions below*	**Marks**	**CO**
1	Explain interaction of multiplier and accelerator theory and explain the phases of business cycle. Using a graph.	**10**	**CO4**
2	What does inflation mean and inflation rate? Explain demand - pull inflation and cost-push inflation. Illustrate your answer with help of diagram.	**10**	**CO3**
3	What is money and function of Money? Briefly explain the component of supply of money.	**10**	**CO4**
4	What is consumption function, saving function and investment function? Briefly explain about linear and non-linear consumption function. Using a graph.	**10**	**CO4**
SECTION-D			
Q	*Answer all the questions below*	**Marks**	**CO**
1	Briefly explain the AD-AS approaches to determine the national income equilibrium. Using a graph	**20**	**CO3,**

2	The following table shows the output of cocoa and rubber that is produced by two countries.<table><tr><th>Countries</th><th>Cocoa (ton)</th><th>Rubber (ton)</th></tr><tr><td>Indonesia</td><td>550</td><td>2000</td></tr><tr><td>Vietnam</td><td>1100</td><td>750</td></tr></table>Suppose that resources are divided equally between the two productions.
	
	    A. Which Country has an absolute advantage in production of cocoa?
	
	    B. Calculate the opportunity cost producing one ton of cocoa and one ton of rubber in each country.
	
	    C. Which country has the comparative advantage of producing cocoa and rubber?
	    D. Construct the output table after specialization.
		20	**CO4 CO5**

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SECTION A

Q	*Answer all the questions below.*	Marks	CO

1	Which of the following is a transfer payment.
	    E. A firm pays the moving expenses for a transferred employee
	    F. A student receive a scholarship from the Indian government
	    G. A student transfers to another university and receive a tuition rebate
	    H. A student working as a tutor receives wages from the university budget.
		2	CO1

2	It is necessary to add…………. to convert GNP_{FC} to GNP_{MP}.
	    E. Expenditure on imports
	    F. Gross trading profits of companies
	    G. Indirect taxes and subtract subsidies
	    H. Current and capital expenditure by the central government
		2	CO2

3	An unemployed person is considered structurally unemployed if he/she……..
	    E. Lack job skills
	    F. Has resigned to look for another job
	    G. Has been retrenched during a recession
	    H. Has lost his/her job due to seasonal factors
		2	CO3

4	The price tag of a toy bear is Rs. 95. This is an example of the function of money as a
	    E. Store value
	    F. Unit of account
	    G. Medium of exchange
	    H. Standard of deferred payment
		2	CO4

5	Coins in people's pockets and purses are
	    E. Included in M2 only
	    F. Included in M1 and M2
	    G. Excluded from M1 and M2
	    H. Included in M1, but not in M2
		2	CO4

	SECTION B		
Q	*Answer all the questions below.*	**Marks**	**CO**

1	Distinguish between the following.
	
	    D. Autonomous investment and induced investment
	    E. Unemployment rate and labor force participation rate
		5	**CO3**

2	A short note on
	    D. Disposable personal income & transfer payment
	    E. Saving function and investment function
		5	**CO2,**
			CO1

	SECTION-C		
Q	*Answer all the questions below.*	**Marks**	**CO**
1	What is business cycle? Explain the phases of business cycle. Using a graph.	**10**	**CO4**
2	What does inflation, deflation, and disinflation and inflation rate? Explain demand - pull inflation and cost-push inflation. Illustrate your answer with help of diagram.	**10**	**CO3**
3	What is money and function of Money? Briefly explain the different motive of demand of money.	**10**	**CO4**
4	What is investment multiplier and accelerator? Briefly explain about theory of interaction between investment multiplier and accelerator. Using a graph.	**10**	**CO4**

	SECTION-D		
Q	*Answer all the questions below.*	**Marks**	**CO**
1	What is National Income? Briefly explain national income equilibrium between two sector and four sector of economy with help of AD-AS approach. Using a graph	**20**	**CO3,**

2	The following table shows the total output that can be produced by two countries.
	
	<table><tr><th>Countries</th><th>Rice (ton)</th><th>Palm oil (ton)</th></tr><tr><td>Thailand</td><td>500</td><td>150</td></tr><tr><td>Indonesia</td><td>300</td><td>150</td></tr></table>Suppose that resources are divided equally between the two productions.
	
	    E. Which Country has an absolute advantage in production of rice and Palm oil?
	
	    F. Calculate the opportunity cost producing one ton of rice and one ton of palm oil in each country.
	
	    G. Identify the country that has the comparative advantage of producing rice
	
	    H. Construct the output table after specialization.
		20	**CO4**
			CO5