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**UNIVERSITY OF PETROLEUM & ENERGY STUDIES
DEHRADUN**

End Semester Examination-March 2017

Program/course: BBA – FT/MM

Subject: Business Economics

Code : BBCE 112

No. of page/s: 3

Semester – II

Max. Marks : 100

Duration : 3 Hrs.

Section A (40 marks)

(A) Multiple choice questions (30 marks)

1. To revive the economy during depression RBI will adopt
 - a. Contractual monetary policy
 - b. Expansionary monetary policy
 - c. Increasing taxes through fiscal measures
 - d. Both (a) & (b)

2. In a closed economy, three sector model,
 - a. Household saving equals net investment
 - b. Household saving equals gross investment
 - c. Household saving plus depreciations equals gross investment plus government spending
 - d. Household saving plus taxes plus depreciation equals gross investment plus government spending

3. If $MPC = 0.50$, in this case, value of multiplier will be equal to
 - a. One
 - b. Two
 - c. Five
 - d. Three

4. Macroeconomics distinguishes between the real economy and the...
 - a. Monetary economy
 - b. Virtual economy
 - c. Normative economy
 - d. Underground economy

5. In an open economy model, GDP is the sum of
 - a. Consumption, gross investment, government spending, and net exports
 - b. Consumption, net investment, government spending, and net exports
 - c. Consumption, gross investment, government spending, and gross exports
 - d. Wages, rent, interest, profit, and depreciation

6. Real GDP increases
 - a. When there is an increase in the price level
 - b. When there is an increase in the output of goods and services

- c. When there is an increase in the population
d. At a constant rate over time
7. The main objective of monetary policy is to
a. Ensure price stability
b. Encourage economic growth
c. Ensure stability of exchange rate of the rupee
d. All of the above
8. When saving is greater than investment in a two sector model
a. Output should increase
b. Output should decrease
c. Output should not change
d. Both (i) & (iii)
9. By definition, the marginal propensity to consume
a. Equals $\Delta C/\Delta Y_d$
b. Is the behavioral coefficient c in the consumption equation $C = C + c U_d$
c. Is the slope of consumption function
d. All of the above
10. The present finance minister of India is
a. Mr. Bibek Debroy
b. Mr. Pranab Sen
c. Mr. Swaminathan Ankleswar Aiyer
d. Mr. Arun Jaitley
11. What will be Consumption level for $Y = \text{Rs. } 1,000$ crore, if consumption function is $C = 300 + 0.5Y$
a. 10000 crore b. 800 crore c. 3500 crore d. 350 crore
12. According to Keynes, equilibrium level of economy can be attained
a. Only at full employment
b. Even at less than full employment
c. Both 'a' & 'b'
13. During business cycles, opposite of trough is
a. An inflation b. a hyperinflation c. a peak d. a trend
14. Apart from transaction and precautionary motive, money is held by people for
motive.
15. Stagflation is the situation when high rate of inflation occurs simultaneously with
high.....

(B) State True or False

(10 marks)

1. Psychological law of consumption assumes that there will be constant increase in the consumption level as the income increases.
2. Structural unemployment occurs due to seasonal changes in demand for the product.
3. Positive economics falls under the preview of Macroeconomics.
4. Marginal propensity to consume and marginal propensity to save are directly proportional to each other.
5. According to Keynes, effective demand does not play an important role in business cycles.

Section B

(Answer any 5 questions. Each question carries 6 marks = 30 marks)

- Q1. Explain Keynesian Investment Multiplier. What are the possible leakages in the multiplier mechanism?
- Q2. Describe circular flows in four sector model with the help of diagram.
- Q3. Explain 'Says law of demand'. Is it applicable in any manner in today's world?
- Q4. Explain different phases of business cycle while citing examples from post reforms era (since July 1991) of Indian economy.
- Q5. Which are different methods of to calculate national income? Explain any one method to calculate national income.
- Q6. Mention main components of aggregate demand. Why does Aggregate Demand slopes downward?

Section D (30 marks)

- Q1. (i) Inflation may originate because of either demand-pull or cost-push factors but it cannot be sustained for long unless it is complemented by either of them. Explain. **(15 marks)**
- (ii) Analyze the inflationary data of last two decades in the Indian economy and discuss the causes of increase/decrease accordingly for major changes being reflected in the table. **(15 marks)**