



**UNIVERSITY OF PETROLEUM AND ENERGY STUDIES**

**END SEM EXAM – March, 2017**

**Name of the Program: BBA (AM) and (LM)**

**Semester – II SEM**

**Course Code: BBCE 112**

**Course Title: Business Economics II**

**Duration: 2 hrs.**

**No of Pages: 04**

**Max.Marks: 100**

**ROLL NO.**

**SECTION – A**

**Attempt all the questions. : Multiple Choice Questions (One Mark Each)**

1. What is the formula for MPC?
  - a.  $MPC = C/Y$
  - b.  $MPC = I/Y$
  - c.  $MPC = \Delta C / \Delta Y$
  - d.  $MPC = C/I$
  
2. A country is said to be experiencing inflation when-
  - a. Prices of most goods and services are rising over time.
  - b. Prices of most goods and services are falling over time.
  - c. Total output is rising over time.
  - d. Total output is falling over time.
  
3. A closed economy is a national economy that
  - a. Doesn't interact economically with the rest of the world
  - b. Has a stock market that is not open to traders from outside the country.
  - c. Has extensive trading and financial relationships with other national economies.
  - d. Has not established diplomatic relations with other national economies.
  
4. A country has a trade deficit when
  - a. Imports exceed exports
  - b. Imports equal exports
  - c. Exports exceed imports
  - d. Export is zero.

5. A central bank is an institution that
  - a. Pays for government expenditures
  - b. Controls a nation's monetary policy
  - c. Runs a country's stock market
  - d. Determines a nation's fiscal policy
  
6. GDP differs from GNP because
  - a.  $GDP = GNP - \text{net factor payments from abroad}$
  - b.  $GNP = GDP - \text{net factor payments from abroad}$
  - c.  $GDP = GNP - \text{capital consumption allowances}$
  - d.  $GNP = GDP - \text{capital consumption allowances}$
  
7. Net national product equals
  - a. Gross national product minus indirect business taxes
  - b. Gross national product minus depreciation
  - c. National income minus indirect business taxes
  - d. National income plus depreciation
  
8. The Phillips curve
  - a. Is a relationship between unemployment rate and output growth rate
  - b. Is relationship between inflation rate and unemployment rate
  - c. Is a relationship between employment rate and inflation rate
  
9. Devaluation of the exchange rate occurs when the exchange rate system is
  - a. Flexible
  - b. Fixed
  - c. Devaluation and Depreciation of the exchange rate mean the same thing
  
10. The inflation rate
  - a. Is positive during stagflation
  - b. Is negative during stagflation
  - c. Is always negative during recession.

**Q2. Short Answer Questions**

**[2 marks each]**

1. Define flexible exchange rate system.
2. What do you mean by FDI?
3. Write a short note on Globalisation.
4. Define Liberalisation and Privatisation.
5. Explain the meaning of MFN.

**Section “B”**

**SHORT ANSWER QUESTIONS: Attempt all questions. (5 Marks Each)**

1. What are the reasons for International Trade?
2. Explain the importance of Macro economics.
3. Explain the measures to correct disequilibrium in Balance of Payments.
4. Explain the causes of unemployment.

**Section “C”**

**LONG ANSWER QUESTIONS: Attempt all questions. (15 marks each)**

1. Explain the consumption function and Investment Function with diagrams.

OR

Explain Dispute Settlement Mechanism(DSM)

2. Explain the features of underdeveloped economies.

OR

Explain the Comparative Cost theory of international trade.

**Section “D”[30 marks]**

**Case Study: A boost to the manufacturing Sector**

The Make in India initiative was launched in the year September 2014 primarily with the global manufacturing hub.

The idea was to encourage both global as well as domestic companies to set up manufacturing units within India. The aim was to raise the contribution of the manufacturing sector to 25 percent of the gross domestic product (GDP) by the year 2025 from the current 16 percent.

It is being led by the Department of Industrial Policy and Promotion(DIPP), Ministry of Commerce and Industry, Government of India.

The initiative is expected to create 100 million new jobs in India by 2022.

The key sectors identified under the programme include automobiles, aviation, chemicals, IT and BPM, pharmaceuticals, construction, defence manufacturing, electrical machinery, food processing, textiles and garments and entertainment, mining, and hospitality, railways, automobile components, renewable energy, bio-technology, space, thermal power, roads and highways and electronic systems.

The Housing for all initiative or the affordable housing programme by the Central Government would generate huge employment opportunities for at least 270 allied industries related to construction and housing,” Mehta explains.”

Since the launch of the “Make in India” programme in September 2014, FDI inflows of \$77 billion including an equity inflows of \$56 billion, has been received for the period October 2014 to March 2016. This represents about a 44 percent increase in FDI equity inflows over the same corresponding period.

The sector contributes around 40 percent to exports from India.

The government of India has recognized the SMEs as the priority sector and has also initiated several programmes like the Public Procurement Policy, Pradhan Mantri MUDRA Yojana, Digital India, Startup India and the Skill India.

With these programmes its share can be expected to go up significantly in the next few years. The announcement to implement GST bill in 2017 is a landmark decision that will help solve long existing challenges prevalent in the current taxation system.

For SME’s, GST bill will help eradicate indirect taxes, have more transparency of tax process, draw projections of production cost and gain easy access to new geographies for business expansion.

**Q1. What is the aim of “Make in India” programme? Which key sectors are benefitted by it?**

**Q2. What economic benefits will be brought about by the “Make in India” programme? List the factors and explain them.**

**Q3. Write a short note on FDI.**