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**UNIVERSITY OF PETROLEUM  
AND ENERGY STUDIES**



**End Semester Examination, May 2017**

**Program/course: BBA(FAS)**  
**Subject: Business Economics II**  
**Code :BBCE112**  
**No. of page/s: 4**

**Semester – II**  
**Max. Marks : 100**  
**Duration : 3 Hrs**

**Section-A**

**All the questions are compulsory in this section. [10\*2=20]**

1. If the working hours increases, ceteris paribus, then the economy GDP would
  - (a) Increase.
  - (b) Decrease.
  - (c) Remain constant.
  - (d) Uncertain.
2. In the balance of payments, purchase of 1000 stocks of Reliance Industries by a foreign national is considered as
  - (a) Foreign Direct Investment.
  - (b) Portfolio Investment.
  - (c) Short term capital flows.
  - (d) Unilateral transfer.
3. Many workers have lost their jobs due to installation of computers, which they do not know how to operate. This has caused
  - (a) Frictional unemployment.
  - (b) Structural unemployment.
  - (c) Voluntary unemployment.
  - (d) Cyclical unemployment.
4. BOP deficit equals
  - (a) Merchandise imports minus merchandise exports.
  - (b) Exports of goods and services minus imports of goods and services.

- (c) Current account deficit plus capital account deficit.
  - (d) Increase in foreign exchange assets.
5. Wholesale inflation rate in India is declared on the basis of,
    - (a) CPI-IW.
    - (b) WPI.
    - (c) CPI-rural.
    - (d) GDP deflator.
  6. Scarcity, opportunity cost, trade-off and uncertainty are the common issues both in micro and macroeconomics. *True/False*
  7. During inflation, prices of all goods and services go up. *True/False*
  8. The paradox of thrift arises due to \_\_\_\_\_.
  9. Consumption varies positively with \_\_\_\_\_ and \_\_\_\_\_.
  10. Under the fixed exchange rate system, if the domestic inflation rate exceeds, the foreign inflation rate, the real exchange rate \_\_\_\_\_.

**Section-B** **[4\*5=20]**  
**Attempt all the questions.**

11. Balance of Payments must always balance. Is it true? Explain.
12. What is meant by disguised unemployment? How can the problem of disguised unemployment in developing countries be solved?
13. Show that the sum of APC and APS is equal to one.
14. What are the important problems that constitute the subject matter of macroeconomics?

**Section-C** **[3\*10=30]**  
**Answer all the questions.**

15. Write a short note on the followings:
  - (a) TRIPS and TRIMS,
  - (b) Agreement on agriculture and Multi-Fiber Arrangement.
16. Differentiate between autonomous and induced investment. Explain the factors that determine the level of investment in the economy.

17. Distinguish between demand-pull and cost-push inflation. How can demand pull inflation be controlled?

**Section-D**  
**Attempt any two questions.**

**[2\*15=30]**

18. Discriminate between floating and fixed exchange rate. Explain BOP theory of exchange rate determination?

19. Differentiate between macroeconomic stabilization and structural adjustment process of economic reforms. Critically examine impact of reform process on Indian Economy.

20. Suppose there are two countries, A and B which produce two commodities, X and Y. The labour cost of production in man-hours is given as follows-

<b>Country</b>	<b>Commodity X</b>	<b>Commodity Y</b>
A	40	80
B	60	90

Show that if country A specializes in commodity X and country B in commodity Y, both of them will gain from trade.