

SET B

Name:	
Enrolment No:	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES End Semester Examination, December 2019	
Course: Business Economics-II Programme: SOL All Programs Time: 03 hrs. Instructions: Calculators are allowed	Semester : III Course Code: CLNL2001 Max. Marks: 100

SECTION A (10 Marks)

	Choose the correct option :- (1 Mark each)	Marks	CO
Q 1	Macroeconomics is concerned with a) The level of output of goods and services b) The general level of prices c) The growth of real output d) All of the above	1	CO1
Q 2	Unemployment that arises when there is a general downturn in business activity is known as a) Frictional unemployment ; b) Structural unemployment; c) Cyclical unemployment ; d) Disguised unemployment	1	CO3
Q 3	Cost push inflation arises due to a) Persistent rise in factor cost b) Mismatch between demand and supply of commodities c) Combine phenomena of demand pull and cost-push inflation d) Increase in price of precious metal	1	CO3
Q 4	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	1	CO3
Q 5	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	1	CO4
Q 6	Transfer payments a) are considered a part of the current economic activities. b) are included in national income. c) are considered in personal income.	1	CO2
Q 7	When the $MPS = 0.30$ and autonomous consumption is \$30 billion, then	1	CO2

	<ul style="list-style-type: none"> a) the MPC = 0.30 b) consumption spending = \$10 billion c) consumption spending = \$900 billion d) the MPC = 0.70 e) the MPC = 1.00 		
Q 8	<p>The period of high inflation, low economic growth and high unemployment is termed as :</p> <ul style="list-style-type: none"> a) stagnation b) take-off stage in economy c) stagflation d) none of these 	1	CO3
Q 9	<p>When exports in BOP a/c is more than imports the situation is called as:</p> <ul style="list-style-type: none"> a) Negative BOP b) Deficit BOP disequilibrium c) Surplus BOP disequilibrium d) Surplus BOP equilibrium 	1	CO5
Q 10	<p>A period of expansion and contraction of aggregate economic activity measured by real GDP is called</p> <ul style="list-style-type: none"> a) recession b) economic indicator c) coincident indicator d) business cycle e) lagging indicator 	1	CO4

SECTION B (25 marks)

Answer any five questions. Each question carries 5marks.

Q 11	<p>An article discussing the decline in the manufacturing sector in Australia observed that: “The strong Australian dollar has played its part.”</p> <ul style="list-style-type: none"> a) What does the author mean by a “strong Australian dollar”? b) Why would a strong Australia dollar cause problems for Australian Manufacturers? 	5	CO4
Q 12	Does balance of payment always balances? Comment.	5	CO5
Q 13	What is WTO? Discuss its role and functions.	5	CO4
Q 14	Explain different phases of Business Cycles. (With suitable diagram)	5	CO4
Q 15	<p>Differentiate between the following:</p> <ul style="list-style-type: none"> a) Devaluation & Depreciation b) Disinflation and Deflation 	5	CO3
Q 16	Discuss the Keynesian theory of Income determination in a 2-sector economy with suitable diagram.	5	CO2

SECTION-C (20 Marks)

Answer any two questions. Each question carries 10 marks.

Q 17	Define the following: (2 marks each) a) Balance of trade b) Components of Capital & Current A/C in BOP c) Induced investment d) Autonomous consumption e) Managed floating	10	CO5
Q 18	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.	10	CO5
Q 19	Discuss various methods to measure unemployment in India.	10	CO3

SECTION-D (45 Marks)

Answer any three questions. Each question carries 15 marks.

Q 20	Calculate national income by a) Income Method b) Expenditure Method: <table border="1" style="width: 100%;"><thead><tr><th>Items</th><th>Rs. In Crores</th></tr></thead><tbody><tr><td>Private final consumption expenditure</td><td>210</td></tr><tr><td>Govt: final consumption expenditure</td><td>50</td></tr><tr><td>Net domestic capital formation</td><td>40</td></tr><tr><td>Net exports</td><td>(-)5</td></tr><tr><td>Wages & Salaries</td><td>170</td></tr><tr><td>Employer's contribution</td><td>10</td></tr><tr><td>Profit</td><td>45</td></tr><tr><td>Interest</td><td>20</td></tr><tr><td>Indirect taxes</td><td>30</td></tr><tr><td>Subsidies</td><td>5</td></tr><tr><td>Rent</td><td>10</td></tr><tr><td>Factor income from abroad</td><td>3</td></tr><tr><td>Consumption of fixed capital</td><td>25</td></tr><tr><td>Royalty</td><td>15</td></tr></tbody></table>	Items	Rs. In Crores	Private final consumption expenditure	210	Govt: final consumption expenditure	50	Net domestic capital formation	40	Net exports	(-)5	Wages & Salaries	170	Employer's contribution	10	Profit	45	Interest	20	Indirect taxes	30	Subsidies	5	Rent	10	Factor income from abroad	3	Consumption of fixed capital	25	Royalty	15	15	CO1
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Q 21	Write short notes on the following: (5 marks each) a) Monetary policy measures to control inflation b) Measure to correct BOP disequilibrium c) Exchange rate determination in a flexible exchange rate system	15	CO4																														
Q 22	a) Calculate inflation rate for all the years given from the data in the following table : <table style="width: 100%;"><thead><tr><th>Year</th><th>CPI</th></tr></thead><tbody><tr><td>1990</td><td>130.7</td></tr><tr><td>1991</td><td>136.2</td></tr><tr><td>1992</td><td>140.3</td></tr></tbody></table> (10 marks)	Year	CPI	1990	130.7	1991	136.2	1992	140.3	15	CO3																						
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1993 144.5
 1994 148.2
 1995 152.4
 1996 156.9
 1997 160.5
 1998 163.0
 1999 166.2
 2000 172.1
 2001 177.6

b) Discuss WPI and CPI (5 marks)

Q 23 From the following Income and Saving schedule,
 (i) work out the value of Consumption, MPC, MPS, APC, APS at each income level :-

Income (\$)	Saving (\$)
240	-4
260	0
280	4
300	8
320	12
340	16
360	20
380	24
400	28

- (i) What is the break-even level of income in the table? What is the term that economists use for the saving situation shown at the \$240 level of income?
- (ii) For each of the following items indicate whether the value in the table is either constant or variable as income changes: the MPS, the APC, the MPC, the APS.

1

CO2