

CS/BBA(H)/BIRM/BSCM/Odd/Sem-3rd/BBA-304/2015-16



**MAULANA ABUL KALAM AZAD UNIVERSITY OF TECHNOLOGY,
WEST BENGAL**

BBA-304

BUSINESS ECONOMICS

Time Allotted: 3 Hours

Full Marks: 70

*The questions are of equal value.
The figures in the margin indicate full marks.
Candidates are required to give their answers in their own words as far as practicable.
All symbols are of usual significance.*

**GROUP A
(Multiple Choice Type Questions)**

1. Answer any *ten* questions. 10×1 = 10
- (i) The main difference between Business Economics and Traditional Economics is
- (A) business economics is application while economics is a body of knowledge
 - (B) business economics is macro in character while traditional economics is micro in character
 - (C) profit is not the motive in business economics while profit is the only motive in traditional economics
 - (D) business economics is not influenced by environment factors while traditional economics is influenced by environmental factors

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- (ii) Empirical test of a model is usually done by
- (A) accepting the model
 - (B) rejecting the model
 - (C) revising the model
 - (D) checking consistency of predictions
- (iii) The IS curve will shift rightward if
- (A) Government expenditure decreases
 - (B) Money supply increases
 - (C) Government expenditure increases
 - (D) Money supply decreases
- (iv) GATT stands for
- (A) General Agreement on Trade and Tariff
 - (B) General Agreement on Technical Trade
 - (C) General Agreement on Trade and Technology
 - (D) General Agreement on Time of Trade
- (v) Fiscal policy deals with
- (A) Government expenditure
 - (B) Tax
 - (C) Both (A) and (B)
 - (D) Supply of money
- (vi) The degree of association between two variables is measured by
- (A) regression coefficient
 - (B) correlation coefficient
 - (C) both (A) and (B)
 - (D) none of these
- (vii) Fixed exchange rate is subjected to
- (A) Central bank's control
 - (B) Commercial bank's control
 - (C) State bank's control
 - (D) Any bank's control

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- (viii) When National Income is at equilibrium
- (A) Saving = Investment (B) Saving < Investment
(C) Saving > Investment (D) None of these
- (ix) A Quota is a
- (A) tax on imports (B) quantitative restriction on import
(C) subsidy (D) all of these
- (x) Carrying costs increase as the level of inventory
- (A) decreases (B) increases
(C) remains the same (D) becomes steady
- (xi) An economy is in liquidity trap. If the central bank increase the cash reserve ratio
- (A) money supply increase (B) interest rate falls
(C) aggregate income falls (D) none of these
- (xii) In a fair game the value of the game is
- (A) zero (B) greater than zero
(C) less than zero (D) none of these

GROUP B
(Short Answer Type Questions)

- Answer any *three* questions. 3×5 = 15
2. What are the different components of B.O.P.? 5
3. Find the value of Balanced Budget Multiplier in the Simple Keynesian Model. 5
4. In an economy $C = 60 + 0.8 Y$; $I = 116 - 2r$, $M_d = 0.2y - 5r$, $M_s = 120$. 5
Find equilibrium values of Y and r.

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5. Explain the problem of Prisoners' Dilemma with example. 5
6. Write a note on WTO and its functioning. 5

GROUP C
(Long Answer Type Questions)

Answer any *three* questions. 3×15 = 45

7. (a) Define business cycle. 5+5+5
(b) What are its characteristics?
(c) Explain with graphically the different phases of Business cycle.
8. Determine the equilibrium rate of interest and income in an IS-LM framework. Explain how this equilibrium rate of interest and income changes when
(i) Government expenditure increases (ii) Money supply increases 15
9. (a) What is constrained optimization? 5+10
(b) If in individual's utility function of two goods is given by $u = (x+2)(y+1)$ and $P_x = 2$, $P_y = 5$, and income $(m) = 51$, find the optimum level of purchases of x and y by the consumer using Lagrange multiplier method.
- 10.(a) Find the two regression lines from the following data 8+7
X: 1 2 3 4 5 6 7
Y: 11 22 17 26 28 30 20
(b) A sample survey of 81 documentaries reveals an average length of 90 minutes standard deviation and a mean of 20 minutes. Find the interval estimate of population mean at 90% and 95% confidence. [90% = ± 1.645 , 95% = ± 1.96].
11. Write short notes on any *three* of the following: 3×5
(a) Liquidity trap
(b) Model building
(c) Role of IMF
(d) Trade liberalization in India.