Name : ....

Roll No. : ....

Invigilator's Signature : ....

CS/MBA (NEW)/SEM-2 (FT&PT)/MB-201/2010
2010
BUSINESS ECONOMICS —II

Time Allotted : 3 Hours   Full Marks : 70

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words
as far as practicable.

GROUP – A

(Multiple Choice Type Questions)

1.   Choose the correct alternatives for the following : $10 \times 1 = 10$

   i)   Suppose the exchange rate of Rupee to US dollar is given as $1 = Rs. 50. If Rupee depreciates by 10% then the current exchange rate is $1 =

   a)   Rs. 45   b)   Rs. 55

   c)   Rs. 50   d)   none of these.

   ii)   Let the NI of a country was Rs. 100 crores. In the current financial year the landowners of the country earn a profit of Rs. 1 core by selling their lands to the residents/citizens of that country. Hence, the NI (National Income) of the country is

   a)   Rs. 101 crore   b)   Rs. 99 crore

   c)   Rs. 100 crore   d)   none of these.

   iii)   It the savings of an advanced capitalist economy increases, the national income (NI) of that economy will

   a)   increase   b)   decrease

   c)   remain same   d)   none of these.

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iv) The IS curve will shift rightward if

    a) Government expenditure decreases

    b) Money supply increases

    c) Government expenditure increases

    d) Money supply decreases.

v) The long run Phillips curve implies that there is

    a) A negative trade off between inflation and unemployment

    b) No long run trade off between inflation and unemployment

    c) No long run trade off between money supply and unemployment

    d) A negative trade off between inflation and money demand.

vi) What happens if money supply increases in a full employment economy?

    a) Deflation   b) Depression

    c) Inflation   d) Liquidity trap.

vii) If money supply increases in IS-LM model then

    a) LM curve shifts leftward

    b) LM curve becomes upward rising

    c) LM curve shifts rightward

    d) None of these.

viii) Let MPC = 0·6. What will be the increase in income if investment expenditure increases by 3 units ?

    a) 3 units   b) 1·2 units

    c) 1·8 units   d) 7·5 units.

ix) The full form of SEBI is

   a) Stock Exchange Brokers of India

   b) Stock Exchange Board of India

   c) Securities and Exchange Board of India

   d) Securities and Exchange Brokers of India

x) Crowding-out effect means

   a) Government expenditure tends to decrease private investment expenditure because of increase in money supply

   b) Government expenditure tends to decrease private investment expenditure because of higher interest rate

   c) Multiplier effect operators in reverse direction

   d) Government expenditure tends to encourage private investment.

GROUP – B
(Short Answer Type Questions)
Answer any *three* of the following.   3 × 5 = 15

2. State the various phases of a Business cycle.

3. Distinguish between demand pull and cost push inflation.

4. Define LM curve. How is it derived ?

5. What are the major components of Indian Money Market ?

6. How do you differentiate between GDP and GNP ?

GROUP – C

(Long Answer Type Questions)

Answer any *three* of the following.   3 × 15 = 45

7. How does the Phillips curve explain the trade off between unemployment and inflation? Explain why it is downward sloping in the short run but vertical in the long run.   6 + 9

8. a) In terms on Keynesian IS-LM model, briefly explain how income level and rate of interest are determined.

    b) Suppose consumption function is $C = 40 + 0.75\%$ and I = Rs. 60 crores. Find out equilibrium income, consumption and savings.   8 + 7

9. a) How does comparative cost advantage cause international trade ? How can gains from trade be measured ?

    b) State the effects of imposition of tariff on imports.

        6 + 4 + 5

10. State the functions of a central bank. How do its functions differ from that of the functions of a commercial bank ?

        10 + 5

11. a) Prove that the balanced budget multiplier in the simple Keynesian model is always 1.

    b) Assume that GDP is Rs. 7, 000, personal disposable income is Rs. 4, 000, the Government budget deficit is Rs. 150, consumption is Rs. 2, 800 and the trade deficit is Rs. 100. Find out the values of savings investment and Government spending.   6 + 9