



Name :

Roll No. :

Invigilator's Signature :

CS/MBA(N)/SEM-2 (FT & PT)/MB-201/2011

2011

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 × 1 = 10

i) If consumption is given by $C = 200 + 0.75 (Y - T)$ and investment is given by $I = 200 - 25i$, then the formula for the IS curve is

a) $Y = 400 - 0.75T - 25i + G$

b) $Y = 1600 - 3T - 100i + 4G$

c) $Y = 400 + 0.75T - 25i - G$

d) $Y = 1600 + 3T - 100i - 4G$

e) $Y = 800 - 3T - 100i + 4G.$



- ii) Three leakages from the income-expenditure circular flow are
- a) taxes, saving and imports
 - b) exports, saving and taxes
 - c) saving, government expenditures and imports
 - d) taxes, imports and investment
 - e) exports, investment and government expenditures.
- iii) If GDP (measured in crores of Rupees) is 5,465, consumption is 3,657, investment is 741, government purchases are 1,098 and exports equal 673, then imports are
- a) 673
 - b) - 673
 - c) 704
 - d) - 704.
 - e) none of these.
- iv) In the Keynesian-Cross model, at any level of GDP, actual expenditures differ from planned expenditures by the amount of
- a) deflationary gap
 - b) the government-purchases multiplier
 - c) unplanned inventory investment
 - d) none of these.
- v) Per capital income is the ratio between
- a) NI & population
 - b) Private income & population
 - c) Personal income & population
 - d) None of these.



- vi) Error of double counting is related to
- a) product method b) income method
c) expenditure method d) all of these.
- vii) Inflation can be controlled by
- a) Monetary policy b) Price control
c) Fiscal policy d) All of these.
- viii) Adverse BOP condition cannot be corrected by
- a) Quota b) Devaluation
c) Tariff d) Investment policy.
- ix) The National Planning Commission was established on
- a) 1950 b) 1951
c) 1850 d) 1947.
- x) IRDP stands for
- a) integrated rural development programme
b) international rural development programme
c) international rural development policy
d) none of these.

GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following. $3 \times 5 = 15$

2. Define the concept of paradox of thrift.
3. State the role of SEBI in controlling the capital market in India.
4. How do you differentiate between Balance of Payment and Balance of Trade ?
5. Find the value of Balanced Budget Multiplier in simple Keynesian Model.
6. Discuss the importance of "Liquidity Trap" in the context of Monetary Policy.



GROUP – C

(Long Answer Type Questions)

Answer any *three* of the following. $3 \times 15 = 45$

7. a) What do you mean by equilibrium level of national income ? How is it determined in a two sector economy ?
- b) Consider a two sector economy and assume the following equations for investment and saving as
 $I = \text{Rs. } 55 - 200r$ and $S = - \text{Rs. } 40 + 0.20Y$. Derive an IS schedule for a two sector economy, given the interest rate $r = 0.09\%$. $(5 + 5) + 5$
8. What factors forced the Government of India in 1991 to introduce structural adjustment programme ? In this connection, sketch out the major structural reforms and macro economic stabilization measures introduced since 1991. $5 + 10$
9. Define Business cycle. Explain with graphically the different phases of a Business cycle. $3 + 12$
10. In terms of Keynesian IS-IM model, briefly explain how income level and rate of interest are determined.
11. Write notes on any *two* of the following : $2 \times 7 \frac{1}{2}$
- a) Philips curve
- b) Indian Five-Year-Plan
- c) Commercial Bank
- d) Inflation.
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