Name : ……………………………………………………………

Roll No. : …………………………………………………………

Invigilator's Signature : ………………………………………

CS/MBA/SEM-2(FT&PT)/MB-201/2012
2012
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)

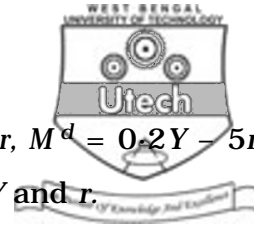1.   Choose the correct alternatives for the following : 10 × 1 = 10

    i)   In the Simple Keyhesian Model (SKM) equilibrium the
          value of unintended inventory accumulation or depletion
          is equal to

          a)   zero   b)   greater than zero

          c)   less than zero   d)   none of these.

    ii)   In SKM the stability of equilibrium depends on the
          value of mpc which is

          a)   less than 1   b)   greater than one

          c)   equal to 1   d)   none of these.

25002 (MBA)   [Turn over

iii) In an economy the saving and investment functions are $S = -20 + .2Y$ and $I = -8 + .1Y$, the equilibrium level of income is

a) 170   b) 120

c) 190   d) 100.

iv) The LM curve represents equilibrium in

a) the product market   b) the money market

c) BOP   d) none of these.

v) Demand for money depends on

a) rate of interest

b) capital stock

c) rate of interest and income

d) all of these.

vi) If $C = 100 + 0.6\ Y$, the value of the marginal propensity to save is

a) 0·6   b) 0·5

c) 0·8   d) 0·4.

vii) Suppose the economy is in liquidity trap, then an increase in government expenditure will result in

a) full crowding out   b) partial crowding out

c) no crowding out   d) none of these.

viii) Phillips curve shows the tradeoff between

a) inflation and unemployment

b) inflation rates and interest rates

c) interest rate and output

d) output and employment.

ix) The absolute advantage of theory of trade was developed by

   a) Karl Marx   b) J.M. Keynes

   c) David Ricardo   d) Adam Smith.

x) Deficit in the current account implies that BOP is in

   a) deficit   b) surplus

   c) balance   d) cannot be determined.

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

2. Distinguish between Demand Pull and Cost Push inflation.

3. Obtain the investment multiplier in the JKM.

4. State the various phases of a business cycle.

5. Is GDP a good indicator of social welfare ?

6. Discuss the use of the bank rate and the cash reserve ratio in monetary policy.

GROUP – C
(Long Answer Type Questions)
Answer any *three* of the following.   3 × 15 = 45

7. Consider a Keynesian model with government expenditure G and lump sum tax T. The economy is a close economy.

   a) Explain why the government expenditure multiplier is positive and the tax multiplier is negative.   6

   b) Show that the Balanced Budget Multiplier is equal to 1.   2

   c) In an economy consumption function is

       $C = 50 + 0 \cdot 80 \, (Y - T)$, $I = 200$, $G = 150$ and $T = 50$.   7

8. In an economy $C = 60 + 0{\cdot}8Y$, $I = 116 - 2r$, $M^d = 0{\cdot}2Y - 5r$, $M^s = 120$. Find the equilibrium values of Y and r.

9. Define Phillips curve. Explain why it is downward sloping in the short run and vertical in the long run.

10. Discuss the major trade policy reforms undertaken in India.

11. Write short notes on any *two* of the following : $\quad 2 \times 7\frac{1}{2}$

   a)   Labour market reform in India

   b)   Non-tariff barriers

   c)   Crowding out in the IS-LM model

   d)   Alternative exchange rate systems.

―――――――