

Name : .....

Roll No. : .....

Invigilator's Signature : .....

**CS/MBA/SEM-2(FT & PT)/MB-201/2013**

**2013**

**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) In a business cycle which of the following phases comes after 'boom' ?
    - a) Recession
    - b) Recovery
    - c) Depression
    - d) None of these.
  - ii) In crowding-out effect which of the following is crowded-out ?
    - a) Consumption
    - b) Savings
    - c) Government expenditure
    - d) None of these.
  - iii) Suppose  $C = 40 + 0.80Y$ ,  $I = 60$  and  $G = 10$ . Then equilibrium national income will be
    - a) 530
    - b) 550
    - c) 510
    - d) 525.



- iv) If the value of interest sensitivity of investment increases, then
- LM curve will become steeper
  - LM curve will become flatter
  - IS curve will become steeper
  - IS curve will become flatter.
- v) If National income = 54,000, pension and transfers = 5,600, social contribution = 7,500, then personal income is
- |           |            |
|-----------|------------|
| a) 67,100 | b) 40,900  |
| c) 52,100 | d) 55,900. |
- vi) 'Injections' in the circular flow of income comprise
- investment expenditure
  - government expenditure
  - exports
  - all of these.
- vii) Structural adjustment policies centre around
- demand management policies
  - reduction of fiscal imbalances
  - control of unsustainable BOP crises
  - supply management policies through reforms in the industrial sector, trade sector and financial sector.
- viii) One-rupee notes and coins in India are issued by
- Reserve Bank of India
  - State Bank of India
  - Government of India
  - World Bank.



- ix) The IS curve will shift rightward if
- government expenditure decreases
  - money supply increases
  - government expenditure increases
  - money supply decreases.
- x) The long run Phillips curve implies that there is
- a negative trade-off between inflation and unemployment
  - no long run trade-off between inflation and unemployment
  - no long run trade-off between money supply and unemployment
  - a negative trade-off between inflation and money demand.

**GROUP – B**

**( Short Answer Type Questions )**

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

- How far GNP or GDP reflects national welfare ? Justify your answer.
- What are the major components of Indian capital market ?
- Define Liquidity Trap. How do you explain liquidity trap ?
- State and explain the concept of Paradox of Thrift.
- What is meant by circular flow of income ? How do you represent circular flow of income and spending in an open economy with the help of a diagram.

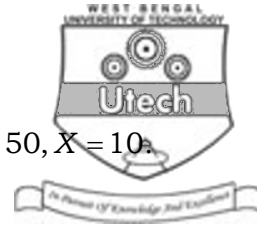
**GROUP – C**

**( Long Answer Type Questions )**

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

- What do you mean by tariff and quotas ? Point out the advantages and disadvantages of quotas.
  - "Trade between two countries arises only when comparative costs of producing commodities vary." Discuss.  $8 + 7$

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8. Given,  $C = 100 + bY_d$ ,  $T = 50 + tY$ ,  $I = 50$ ,  $G = 50$ ,  $X = 10$ ,  
 $M = 5 + 0.1Y$  If  $b = 0.8$  and  $t = 0.25$ .  
Find —
- a) equilibrium national income.
  - b) foreign trade and tax multiplier.
  - c) the trade balance.
  - d) increase in National income if investments increase by Rs. 200. 4 + 4 + 3 + 4
9. a) What is meant by monetary policy ? Write a note on the objectives of monetary policy in India. In this connection evaluate RBI's monetary policy. 8 + 7
10. a) Distinguish between Real and Nominal GDP.
- b) How would you determine equilibrium of National Income and interest rate using IS and LM curves for a three-sector economy ? 3 + 12
11. Write short notes on any *three* of the following : 3 × 5
- a) Current and Capital Account convertibility
  - b) Indicative and Imperative Planning
  - c) Growth and Development
  - d) Depreciation and Devaluation.

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