



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
- a) government expenditure decreases
 - b) money supply increases
 - c) government expenditure increases
 - d) money supply decreases.
- x) 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.

GROUP – B

(Short Answer Type Questions)

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

2. How far GNP or GDP reflects national welfare ? Justify your answer.
3. What are the major components of Indian capital market ?
4. Define Liquidity Trap. How do you explain liquidity trap ?
5. State and explain the concept of Paradox of Thrift.
6. 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.

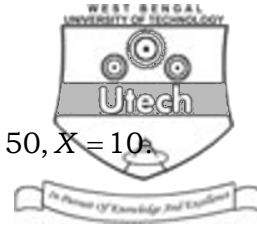
GROUP – C

(Long Answer Type Questions)

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

7. a) What do you mean by tariff and quotas ? Point out the advantages and disadvantages of quotas.
- b) "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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