Name : ....

Roll No. : ....

Invigilator's Signature : ....

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 $C = 40 + 0{\cdot}80Y$, $I = 60$ 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

a) LM curve will become steeper

b) LM curve will become flatter

c) IS curve will become steeper

d) 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

a) investment expenditure

b) government expenditure

c) exports

d) all of these.

vii) Structural adjustment policies centre around

a) demand management policies

b) reduction of fiscal imbalances

c) control of unsustainable BOP crises

d) 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

a) Reserve Bank of India

b) State Bank of India

c) Government of India

d) 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

8. Given, $C = 100 + bY_d, T = 50 + tY, I = 50, G = 50, X = 10.$
   $M = 5 + 0 \cdot 1Y$ If $b = 0 \cdot 8$ and $t = 0 \cdot 25$.
   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.
   b) Discuss the effects of inflation. 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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