

Name:

Enrolment No:



UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, December 2018

Course: Business Economics-II

Programme: SOL All Programs

Time: 03 hrs.

Instructions: Calculators are allowed

Semester : III

Course Code: CLNL2001

Max. Marks: 100

SECTION A (20 Marks)

	Choose the correct option :- (1 Mark each)	Marks	CO
Q 1	Autonomous consumption is: a) a function of disposable income b) function of national income c) a function of GDP d) a function of saving e) independent of the level of income	1	CO1
Q 2	When a foreign central bank devalues its currency it a) Lowers the dollar price of its currency b) Raises the dollar price of its currency c) Purchases dollars in the foreign exchange market d) Sells dollars in the foreign exchange market	1	CO4
Q 3	When the $MPS = 0.30$ and autonomous consumption is \$30 billion, then a) the $MPC = 0.30$ b) consumption spending = \$10 billion c) consumption spending = \$900 billion d) the $MPC = 0.70$ e) the $MPC = 1.00$	1	CO2
Q 4	Transfer payments a) are considered a part of the current economic activities. b) are included in national income. c) are considered in personal income.	1	CO1
Q 5	Net factor income from abroad is equal to a) NNP at market price – NDP at market price b) NDP at market prices – Indirect taxes + Subsidies c) NDP at factor cost + Depreciation d) NNP at market prices + Depreciation	1	CO2
Q 6	Cheap Money implies : a) low rate of interest b) low level of savings c) low level of income	1	CO4

	d) excess of bank money		
Q 7	<p>Macroeconomics is concerned with</p> <ul style="list-style-type: none"> a) The level of output of goods and services b) The general level of prices c) The growth of real output d) All of the above 	1	CO1
Q 8	<p>A period of expansion and contraction of aggregate economic activity measured by real GDP is called</p> <ul style="list-style-type: none"> a) recession b) economic indicator c) coincident indicator d) business cycle e) lagging indicator 	1	CO4
Q 9	<p>Unemployment that arises when there is a general downturn in business activity is known as</p> <ul style="list-style-type: none"> a) Frictional unemployment ; b) Structural unemployment; c) Cyclical unemployment ; d) Disguised unemployment 	1	CO3
Q 10	<p>According to Keynes consumption theory, which of the following is correct:</p> <ul style="list-style-type: none"> a) $MPC > APC$ b) $MPC < APC$ c) $MPC = APC$ d) None of the above 	1	CO2
Q 11	<p>Balance of trade is</p> <ul style="list-style-type: none"> a) The difference between balance on current account and capital account b) Same as the balance of merchandize trade c) Same as the balance of current account d) Overall BoP balance 	1	CO5
Q 12	<p>Suppose it is announced that industry analysts are predicting that decreased oil supplies from Iraq will cause gasoline prices to rise, beginning next month. <u>In the current week</u>, the announcement would:</p> <ul style="list-style-type: none"> a) shift the supply of gasoline right b) shift the demand for gasoline left c) shift the demand for gasoline right d) have no effect on the demand or supply of gasoline 	1	CO4
Q 13	<p>Cost push inflation arises due to</p> <ul style="list-style-type: none"> a) Persistent rise in factor cost b) Mismatch between demand and supply of commodities 	1	CO3

	<ul style="list-style-type: none"> c) Combine phenomena of demand pull and cost-push inflation d) Increase in price of precious metal 		
Q 14	1\$=Rs 40 and current exchange rate is 1\$=Rs50. Can we conclude that dollar has appreciated? True/False	1	CO4
Q 15	Autonomous items in BOP are also called as 'above the line items'. True/False	1	CO5
Q 16	<p>When exports in BOP a/c is more than imports the situation is called as:</p> <ul style="list-style-type: none"> a) Negative BOP b) Deficit BOP disequilibrium c) Surplus BOP disequilibrium d) Surplus BOP equilibrium 	1	CO5
Q 17	<p>Which of the following describes the phase of a business cycle that occurs after a trough and before a peak?</p> <ul style="list-style-type: none"> a) Consolidation. b) Lag. c) Expansion. d) Contraction. 	1	CO4
Q 18	<p>Which of the following is an example of fiscal policy?</p> <ul style="list-style-type: none"> a) Tax increase b) Controlling money supply c) Consumer spending d) Manipulating interest rates 	1	CO3
Q 19	<p>The period of high inflation, low economic growth and high unemployment is termed as :</p> <ul style="list-style-type: none"> a) stagnation b) take-off stage in economy c) stagflation d) none of these 	1	CO3
Q 20	<p>Inflation:</p> <ul style="list-style-type: none"> a) Always reduces the cost of living b) Always reduces the standard of living c) Reduces the price of products d) Reduces the purchasing power of a rupee 	1	CO3

SECTION B (20 marks)

Answer any four questions. Each question carries 5marks.

Q 21	Explain different phases of Business Cycles. (With suitable diagram)	5	CO4
Q 22	Differentiate between the following: (2.5 marks each) a) Devaluation & Depreciation b) Disinflation and Deflation	5	CO3
Q 23	What is the impact of inflation on the following: (1 mark each) a) Consumers b) Producers c) Debtors d) Creditors e) Government	5	CO3
Q 24	An article discussing the decline in the manufacturing sector in Australia observed that: "The strong Australian dollar has played its part." a) What does the author mean by a "strong Australian dollar"? b) Why would a strong Australia dollar cause problems for Australian Manufacturers?	5	CO4
Q 25	Does balance of payment always balances? Comment.	5	CO5

SECTION-C (30 Marks)

Answer any three questions. Each question carries 10 marks.

Q 26	What is absolute advantage? What is comparative advantage? Is it possible for a country to have a comparative advantage in producing a good without having an absolute advantage? Briefly explain.	10	CO5
Q 27	Discuss various methods to measure unemployment in India.	10	CO3
Q 28	Define the following: (2 marks each) a) Balance of trade b) Components of Capital & Current A/C in BOP c) Induced investment d) Autonomous consumption e) Managed floating	10	CO5
Q 29	What is WTO? Discuss its role and functions.	10	CO4

SECTION-D (30 Marks)

Answer any two questions. Each question carries 15 marks.

Q 30	Write short notes on the following: (5 marks each) a) Monetary policy measures to control inflation b) Measure to correct BOP disequilibrium c) Exchange rate determination in a flexible exchange rate system	15	CO4																														
Q 31	a) Calculate inflation rate for all the years given from the data in the following table : <table border="1" style="margin-left: 20px;"><thead><tr><th>Year</th><th>CPI</th></tr></thead><tbody><tr><td>1990</td><td>130.7</td></tr><tr><td>1991</td><td>136.2</td></tr><tr><td>1992</td><td>140.3</td></tr><tr><td>1993</td><td>144.5</td></tr><tr><td>1994</td><td>148.2</td></tr><tr><td>1995</td><td>152.4</td></tr><tr><td>1996</td><td>156.9</td></tr><tr><td>1997</td><td>160.5</td></tr><tr><td>1998</td><td>163.0</td></tr><tr><td>1999</td><td>166.2</td></tr><tr><td>2000</td><td>172.1</td></tr><tr><td>2001</td><td>177.6</td></tr></tbody></table> b) Discuss WPI and CPI (5 marks)	Year	CPI	1990	130.7	1991	136.2	1992	140.3	1993	144.5	1994	148.2	1995	152.4	1996	156.9	1997	160.5	1998	163.0	1999	166.2	2000	172.1	2001	177.6	15	CO3				
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