

Roll No: -----



## UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

### SET A

End Semester Examination, May 2018

Program: BBA-Core

Subject (Course): Business Economics

Course Code: ECON1002

No. of page/s: 5

Semester – II

Max. Marks : 100

Duration : 3 Hrs

### SECTION – A (20 Marks)

Choose the correct option :- (1 Mark each)

1. What are the names of the following events that occur during a business cycle?  
(4marks)
  - a) The high point of economic activity:
  - b) The low point of economic activity:
  - c) The period between high point of economic activity and the following low point
  - d) The period between low point of economic activity and the following high point
2. 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
3. After the implementation of New Economic Policy, Reserve Bank of India has no rule in intervening the exchange rate. True or False.
4. 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
5. 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  $MPC = 1.00$

6. Which of the following is NOT a leakage from the circular flow of income and expenditure?
- Imports
  - Government purchases
  - Taxes net of government transfers
  - Saving
7. To earn income, people sell the services of the factors of production they own. Land earns \_\_\_\_\_; labour earns \_\_\_\_\_; capital earns \_\_\_\_\_ and entrepreneurship earns \_\_\_\_\_. ( 4 marks)
8. Net factor income from abroad is equal to
- NNP at market price – NDP at market price
  - NDP at market prices – Indirect taxes + Subsidies
  - NDP at factor cost + Depreciation
  - NNP at market prices + Depreciation
9. Cheap Money implies :
- low rate of interest
  - low level of savings
  - low level of income
  - excess of bank money
10. Macroeconomics is concerned with
- The level of output of goods and services
  - The general level of prices
  - The growth of real output
  - All of the above
11. Unemployment that arises when there is a general downturn in business activity is known as
- Frictional unemployment ;
  - Structural unemployment;
  - Cyclical unemployment ;
  - Disguised unemployment
12. Balance of trade is
- The difference between balance on current account and capital account
  - Same as the balance of merchandise trade
  - Same as the balance of current account
  - Overall BoP balance
13. Natural rate of unemployment consists of two types of unemployment ..... and ..... (2 marks)

**SECTION - B (20 marks)**

**Answer any 4 questions. Each question carries 5marks.**

14.

- a. Last year, a small nation with abundant forests cut down \$200 worth of trees. \$100 worth of trees were then turned into \$150 worth of lumber. \$100 worth of that lumber was used to produce \$250 worth of bookshelves. Assuming the country produces no other outputs, and there are no other inputs used in the production of trees, lumber, and bookshelves, what is this nation's GDP
- b. Can a same good be classified as intermediate and final good? Explain with an example.

15. Differentiate between the following:

- a) Devaluation & Depreciation
- b) Structural & Frictional Unemployment

16. 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?

17. Fill in the missing values in the following tables of data collected in the household survey for May 2013:

Working Age population	
Employment	150,00,000
Unemployment	
Unemployment rate	7.5%
Employment-population ratio	
Labor force	
Labor force participation rate	65%

18. Does balance of payment always balances? Comment.

### SECTION - C (30 Marks)

**Answer all the questions :-** (15 marks each)

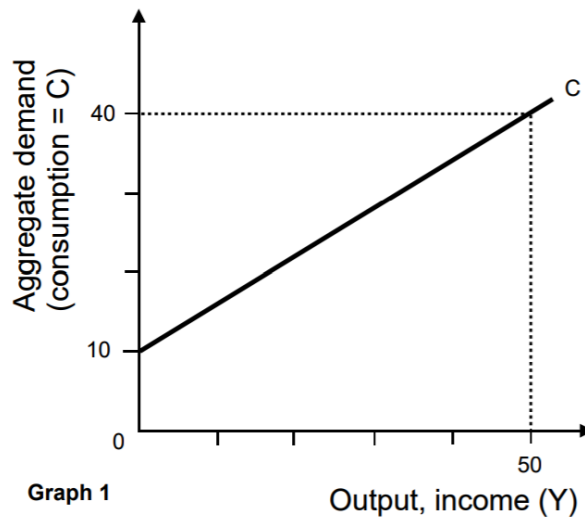
19. What is absolute advantage? What is comparative advantage? Is it possible for a country to have a comparative advantage in producing a good without having an absolute advantage? Briefly explain.

20. Each question carries 5 marks.

a) A country with a population of eight million adults has five million employed, 500,000 unemployed, and the rest of the adult population is out of the labor force. What's the unemployment rate? What share of population is in the labor force? Sketch a pie chart that divides the adult population into these three groups.

b) General form of the consumption function:  $C = a + bY$ . Calculate the numbers of a and b according to graph given below

c) Explain the marginal propensity to consume (MPC), APC, MPS, APS.



### SECTION - D (30 Marks)

**Answer any one question.**

**Question 22 has two parts. If you are attempting question 22 you have to attempt both the parts. Each part of the question carries 15 marks.**

21. The macroeconomic crisis of 1990 erupted in the form of three major problems. Discuss and what were the economic reforms undertaken by the government to deal with the crisis.

(30 marks)

22.

I. Use the data in the following table to calculate the GDP deflator for each year ( values in billion dollar):

Year	Nominal GDP	Real GDP
2008	14,720	14,834
2009	14,418	14,418
2010	14,958	14,779
2011	15,534	15,052
2012	16,245	15,471

Which year from 2009 to 2012 saw the largest percentage increase in the price level, as measured by changes in the GDP deflator?

II. Calculate national income by a) Income Method b) Expenditure Method:

Item	Rs. (in crore)
Government final expenditure	1,000
Profits	700
Net indirect taxes	110
Private final consumption expenditure	1,500
Net exports	(-)20
Compensation of employees	1,200
Rent	200
Interest	270
Net factor income from abroad	30
Mixed income of self employed	600
Gross domestic capital formation	700
Net domestic capital formation	600

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## UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

### SET B

End Semester Examination, May 2018

Program: BBA-Core

Subject (Course): Business Economics

Course Code: ECON1002

No. of page/s: 6

Semester – II

Max. Marks : 100

Duration : 3 Hrs

### SECTION – A (20 Marks)

Choose the correct option :- (1 Mark each)

- Autonomous consumption is:
  - a function of disposable income
  - function of national income
  - a function of GDP
  - a function of saving
  - independent of the level of income
- After the implementation of New Economic Policy, Reserve Bank of India has no rule in intervening the exchange rate. True or False.
- At an income of \$100,000, I spent \$90,000 on consumer goods. When my income rose to \$200,000, I spent \$160,000 on consumer goods. My **marginal propensity to consume** is:
  - 0.9
  - 0.8
  - 0.7
  - 1
  - \$70,000
- When a foreign central bank devalues its currency it
  - Lowers the dollar price of its currency
  - Raises the dollar price of its currency
  - Purchases dollars in the foreign exchange market
  - Sells dollars in the foreign exchange market
- When the  $MPS = 0.30$  and autonomous consumption is \$30 billion, then
  - the  $MPC = 0.30$
  - consumption spending = \$10 billion
  - consumption spending = \$900 billion
  - the  $MPC = 0.70$
  - the  $MPC = 1.00$

6. Which of the following is NOT a leakage from the circular flow of income and expenditure?
- Imports
  - Government purchases
  - Taxes net of government transfers
  - Saving
7. Transfer payments
- are considered a part of the current economic activities.
  - are included in national income.
  - are considered in personal income.
8. To earn income, people sell the services of the factors of production they own. Land earns \_\_\_\_\_; labour earns \_\_\_\_\_; capital earns \_\_\_\_\_ and entrepreneurship earns \_\_\_\_\_. ( 4 marks)
9. Net factor income from abroad is equal to
- NNP at market price – NDP at market price
  - NDP at market prices – Indirect taxes + Subsidies
  - NDP at factor cost + Depreciation
  - NNP at market prices + Depreciation
10. Cheap Money implies :
- low rate of interest
  - low level of savings
  - low level of income
  - excess of bank money
11. Macroeconomics is concerned with
- The level of output of goods and services
  - The general level of prices
  - The growth of real output
  - All of the above
12. Unemployment that arises when there is a general downturn in business activity is known as
- Frictional unemployment ;
  - Structural unemployment;
  - Cyclical unemployment ;
  - Disguised unemployment
13. According to Keynes consumption theory, which of the following is correct:
- $MPC > APC$
  - $MPC < APC$
  - $MPC = APC$
  - None of the above

14. Balance of trade is
- The difference between balance on current account and capital account
  - Same as the balance of merchandize trade
  - Same as the balance of current account
  - Overall BoP balance
15. Gross domestic product is
- the market value of all goods and services produced in a country during a given time period.
  - the market value of all the final goods and services produced within a country during a given time period.
  - the market value of all the intermediate goods and services produced in a country during a given time period.
  - the average value of output produced in a country in a given time period
  - the final value of all goods produced in a country in a given time period.
16. Natural rate of unemployment consists of two types of unemployment .....  
and ..... (2 marks)

**SECTION - B (20 marks)**

**Answer any 4 questions. Each question carries 5marks.**

17. Explain different phases of Business Cycles. (With suitable diagram)
18. Differentiate between the following:
- Devaluation & Depreciation
  - Structural & Frictional Unemployment
19. An article discussing the decline in the manufacturing sector in Australia observed that: "The strong Australian dollar has played its part."
- What does the author mean by a "strong Australian dollar"?
  - Why would a strong Australia dollar cause problems for Australian Manufacturers?
20. Fill in the missing values in the following tables of data collected in the household survey for May 2013:

Working Age population	
Employment	150,00,000
Unemployment	
Unemployment rate	7.5%



Employment-population ratio	
Labor force	
Labor force participation rate	65%

21. Does balance of payment always balances? Comment.

**SECTION - C (30 Marks)**

**Answer all the questions :-** (15 marks each)

22. 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.

23. From the following Income and saving schedule, work out the value of Consumption, MPC, MPS, APC, APS at each income level :-

Income (\$)	Saving (\$)
240	-4
260	0
280	4
300	8
320	12
340	16
360	20
380	24
400	28

- (i) What is the break-even level of income in the table? What is the term that economists use for the saving situation shown at the \$240 level of income?
- (ii) For each of the following items indicate, whether the value in the table is either constant or variable as income changes: the MPS, the APC, the MPC, the APS.

**SECTION - D (30 Marks)**

**Answer any one question.**

**Question 25 has two parts. If you are attempting question 25 you have to attempt both the parts. Each part of the question carries 15 marks.**

24. The macroeconomic crisis of 1990 erupted in the form of three major problems. Discuss and what were the economic reforms undertaken by the government to deal with the crisis.

(30 marks)

25.

- a) Use the data in the following table to calculate the GDP deflator for each year ( values in billion dollar):

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2008	14,720	14,834
2009	14,418	14,418
2010	14,958	14,779
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Which year from 2009 to 2012 saw the largest percentage increase in the price level, as measured by changes in the GDP deflator?

- b) Calculate national income by a) Income Method b) Expenditure Method:

Item	Rs. (in crore)
Government final expenditure	1,000
Profits	700
Net indirect taxes	110
Private final consumption expenditure	1,500
Net exports	(-)20
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