Roll No: -------------------------

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, December 2017

Program:	**Semester –**
Subject (Course):	**Max. Marks : 100**
Course Code :	**Duration : 3 Hrs**
No. of page/s:	

Section A

1. Identify whether statement is true or false (One Marks each =total 10 Marks)
   a. Purchasing power parity based does not based on Law of one price.
   b. Protectionism (against free trade) is the economic policy of restraining trade between states (countries) through methods such as tariffs on imported goods, restrictive quotas, and a variety of other government regulations.
   c. Appreciation and depreciation of currency is the concept of fixed exchange rate.
   d. Revaluation and devaluation of currency is the concept of flexible exchange rate.
   e. Denationalization implies to complete transfer of ownership of a public enterprise to private hands.
   f. If US experience a recession, then they face falling incomes and rising unemployment which led to fall in net export of India due to a fall in US consumers' purchases of Indian exports.
   g. If Indian consumers decide to be patriotic and buy more products "Made in the India", India's net exports would rise due to fall in imports.
   h. If there is excess export over import then there would be trade surplus.
   i. If there are excess imports over exports then there would be trade deficit.
   j. Purchasing-power parity is a theory of exchange rates whereby a unit of any currency should be able to buy the same quantity of goods in all countries.

Section B

2. What is the difference between FDI and FII? (2 Marks)

3. Define the following terms with example if possible (2 Marks each = 12)
   a. Seigniorage
   b. Cyclical Unemployment
   c. Seasonal Unemployment
   d. Demand-Pull Inflation
   e. Structural Unemployment
   f. Cost-Push Inflation

4. Explain the new economic policy of 1991. (4 Marks)

5. "Net Capital Outflow is the difference between domestic residents' purchases of foreign assets minus foreigners' purchases of domestic assets". How the Net Capital Output will change if there is increase in the rate of interest in domestic country? (2 Marks)

Section C

6. What was the need for new economic policy of Liberalization, Privatization and globalization LPG by India in 1991? (5 Marks)

7. What are the causes of disequilibrium in balance of payment account? (5 Marks)

8. What are the differences between economic growth and economic development? (5 Marks)

9. Explain the concept of law of one price and purchasing power parity. (5 Marks)

Section D

10. According to the absolute advantage theory of international trade by Adam Smith, two countries can gain through international trade if they have absolute advantage in producing different goods. Consider the case of two countries X and Y, both are producing good A and B. Goods producing pattern is as follow.

Country	**Good A can be produced with**	**Good B can be produced with**
X	100 Labour hours	200 Labour Hours
Y	200 Labour Hours	100 Labour hours

Answer the following question based on the above data

a. In which good Country X has absolute advantage? (2 Marks)

b. In which good Country Y has absolute advantage? (2 Marks)

c. Does country X gain through trade with country Y. Explain how? (2 Marks)

d. How can country Y gain through trade with country X? (2 Marks)

e. If any country gain from trade, which good will they export and import? (2 Marks)

11. According to the comparative advantage theory of international trade by David Ricardo, two countries can drive gain from trade even if one country has absolute advantage as compare to another country in the production of all goods. This is possible if country have comparative advantage in producing goods. Consider the case of England and Portugal. The cloth and wine producing pattern of both the countries is as follow.

Country	**Labour cost of production of one unit of cloth (in hours)**	**Labour cost of production of one unit of Wine (in hours)**
England	100	120
Portugal	90	80

Answer the following question based on the above data

a. Does England have absolute advantage in producing any good? Explain the reason (2 Marks)

b. Does Portugal have absolute advantage in producing any good? Explain the reason (2 Marks)

c. Find out the opportunity cost of producing one unit of cloth by England and also find out the opportunity cost of producing one unit of wine. (2 Marks)

d. Find out the opportunity cost of producing one unit of cloth by Portugal and also find out the opportunity cost of producing one unit of wine. (2 Marks)

e. Does Portugal benefited from trade even after having absolute advantage in both goods? Explain how can both are benefited from trade. (2 Marks)

12. What will be effect of the followings in the net export and in balance of payment account of India? (2 Marks each = 10 Marks)

    a. US experience a recession.
    b. Indian consumers decide to be patriotic and buy more products "Made in India".
    c. Prices of goods produced in US rise faster than prices of goods produced in the India.
    d. Government of India decided to devaluate their currency.
    e. Due to high import, foreign exchange reserve depleted.

13. Find out national income (NNPfc) and Domestic Product (NDPfc) (20 Marks)

    a. Intermediate consumption of primary sector =3000
    b. Intermediate consumption of secondary sector =5000
    c. Intermediate consumption of tertiary sector =4000
    d. Value of output of primary sector = 30000
    e. Value of output of secondary sector =40000
    f. Value of output of tertiary sector = 50000
    g. Capital consumption of primary sector = 600
    h. Capital consumption of secondary sector = 1100
    i. Capital consumption of tertiary sector = 600
    j. Net Indirect Taxes = 3000
    k. NFIA = 2000

Roll No: -------------------------

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, December 2017

Program:	**Semester –**
Subject (Course):	**Max. Marks : 100**
Course Code :	**Duration : 3 Hrs**
No. of page/s:	

Section A

1. Identify whether statement is true or false (One Marks each =total 10 Marks)
    a. If US experience a recession, then they face falling incomes and rising unemployment which led to fall in net export of India due to a fall in US consumers' purchases of Indian exports.
    b. If Indian consumers decide to be patriotic and buy more products "Made in the India", India's net export would rise due to fall in imports.
    c. If there is excess export over import then there would be trade surplus.
    d. If there are excess imports over exports then there would be trade deficit.
    e. Purchasing-power parity is a theory of exchange rates whereby a unit of any currency should be able to buy the same quantity of goods in all countries.
    f. Purchasing power parity based does not based on Law of one price.
    g. Protectionism (against free trade) is the economic policy of restraining trade between states (countries) through methods such as tariffs on imported goods, restrictive quotas, and a variety of other government regulations.
    h. Appreciation and depreciation of currency is the concept of fixed exchange rate.
    i. Revaluation and devaluation of currency is the concept of flexible exchange rate.
    j. Denationalization implies to complete transfer of ownership of a public enterprise to private hands.

Section B

2. What is the difference between the nominal and fixed exchange rate? (2 Marks)

3. Define the following terms with example if possible (2 Marks each = 12)
    g. Hyperinflation
    h. Frictional Unemployment
    i. Seigniorage
    j. Cyclical Unemployment
    k. Structural Unemployment
    l. Cost-Push Inflation

4. Briefly explain the policy of Liberalization, Privatization and Globalization. (4Marks)

5. "Net Capital Outflow is the difference between domestic residents' purchases of foreign assets minus foreigners' purchases of domestic assets". How the Net Capital Output will change if there is decrease in the rate of interest in domestic country? (2 Marks)

Section C

6. Explain the BOP crisis in 1990's in India and how it was converted to opportunity for economic reforms? (5Marks)

7. What are the measures to correct the disequilibrium in balance of payment account? (5Marks)

8. "Economic growth and economic development is not the same thing" comment and justify the statement. (5Marks)

9. Explain the case of protection with the theory of protectionism against free trade. (5Marks)

Section D

10. What will be effect of the followings in the net export and in balance of payment account of India? (2 Marks each = 10 Marks)
    a. Europe experience a recession due to euro debt crisis.
    b. Indian consumers decide to be patriotic and buy more products “Made in India”.
    c. Prices of goods produced in India rise faster than prices of goods produced in US.
    d. Government of India decided to revaluate (opposite of devaluate) their currency.
    e. Due to high export, foreign exchange reserve will be in surplus.

11. According to the absolute advantage theory of international trade by Adam Smith, two countries can gain through international trade if they have absolute advantage in producing different goods. Consider the case of two countries X and Y, both are producing good A and B. Goods producing pattern is as follow.

Country	**Good A can be produced with**	**Good B can be produced with**
X	100 Labour hours	200 Labour Hours
Y	200 Labour Hours	100 Labour hours

Answer the following question based on the above data

f. In which good Country X has absolute advantage? (2 Marks)
g. In which good Country Y has absolute advantage? (2 Marks)
h. Does country X gain through trade with country Y. Explain how? (2 Marks)
i. How can country Y gain through trade with country X? (2 Marks)
j. If any country gain from trade, which good will they export and import? (2 Marks)

12. According to the comparative advantage theory of international trade by David Ricardo, two countries can drive gain from trade even if one country has absolute advantage as compare to another country in the production of all goods. This is possible if country have comparative advantage in producing goods. Consider the case of England and Portugal. The cloth and wine producing pattern of both the countries is as follow.

Country	**Labour cost of production of one unit of cloth (in hours)**	**Labour cost of production of one unit of Wine (in hours)**
England	100	120
Portugal	90	80

Answer the following question based on the above data

f. Does England have absolute advantage in producing any good? Explain the reason (2 Marks)

g. Does Portugal have absolute advantage in producing any good? Explain the reason (2 Marks)

h. Find out the opportunity cost of producing one unit of cloth by England and also find out the opportunity cost of producing one unit of wine. (2 Marks)

i. Find out the opportunity cost of producing one unit of cloth by Portugal and also find out the opportunity cost of producing one unit of wine. (2 Marks)

j. Does Portugal benefited from trade even after having absolute advantage in both goods? Explain how can both are benefited from trade. (2 Marks)

13. Find out NVAfc and OS from the following given component. (20 Marks)

a. Compensation of employees =400
b. Intermediate consumption=2000
c. Depreciation =2000
d. NIT=2500
e. Subsidy=50
f. Sales=20000
g. Opening stock=5500
h. Closing stock=6000
i. Production for self consumption=6600
j. Profit =1500