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**UNIVERSITY OF PETROLEUM
AND ENERGY STUDIES**



End Semester Examination, May 2017

Program/course: BA(PPA)

Subject: Economics II

Code :BAPP142

No. of page/s: 4

Semester – II

Max. Marks : 100

Duration : 3 Hrs

Section-A

All the questions are compulsory in this section. [10*2=20]

1. Classification of Economics into two branches (macroeconomics and microeconomics) was done by
 - (a) J. M. Keynes.
 - (b) Milton Friedman.
 - (c) Ragnar Frisch.
 - (d) Adam Smith.
2. In the balance of payments, purchase of 1000 stocks of Reliance Industries by a foreign national is considered as
 - (a) Foreign Direct Investment.
 - (b) Portfolio Investment.
 - (c) Short term capital flows.
 - (d) Unilateral transfer.
3. Indian rupees has depreciated against the US dollar over time largely, due to
 - (a) Relatively low per capita income of India.
 - (b) Relatively high interest rate in India.
 - (c) Relatively high inflation rate in India.
 - (d) Relatively low growth rate in India.
4. BOP deficit equals
 - (a) Merchandise imports minus merchandise exports.
 - (b) Exports of goods and services minus imports of goods and services.

- (c) Current account deficit plus capital account deficit.
 - (d) Increase in foreign exchange assets.
5. Macroeconomics is not concerned with,
 - (a) Measurement of economic variables.
 - (b) Business cycles.
 - (c) Industrial Policy.
 - (d) Stabilization Policies.
 6. Scarcity, opportunity cost, trade-off and uncertainty are the common issues both in micro and macroeconomics. *True/False*
 7. The real exchange rate denotes the price of one currency in terms of any other currency. *True/False*
 8. The paradox of thrift arises due to _____.
 9. While GNP measures the output produced by the factors owned by the country, the GDP measures the output produced on the country's _____.
 10. Under the fixed exchange rate system, if the domestic inflation rate exceeds, the foreign inflation rate, the real exchange rate _____.

Section-B **[4*5=20]**
Attempt all the questions.

11. Balance of Payments must always balance. Is it true? Explain.
12. Tariff (Protection Device) causes misallocation of resources. Discuss.
13. What is the difference between a final goods and an intermediate good? How would the inclusion of intermediate goods overestimate GNP?
14. What are the important problems that constitute the subject matter of macroeconomics?

Section-C **[3*10=30]**
Answer all the questions.

15. Write a short note on the followings:
 - (a) TRIPS and TRIMS,
 - (b) Agreement on agriculture and Multi-Fiber Arrangement.
16. Distinguish between expenditure reducing and expenditure switching policies to correct the balance of payments disequilibrium.

17. Briefly explains the expenditure method of measurement of national income.

Section-D
Attempt any two questions.

[2*15=30]

18. Explain how a foreign exchange rate is determined. How will the following factors affect foreign exchange rate of rupee?

- (a) Higher rate of inflation in India, and
- (b) Higher rate of interest in India.

19. Differentiate between macroeconomic stabilization and structural adjustment process of economic reforms. Critically examine impact of reform process on Indian Economy.

20. Suppose there are two countries, A and B which produce two commodities, X and Y. The productivity of labour per unit in terms of the two goods in these countries is given as follows-

Country	Commodity X	Commodity Y
A	40	80
B	60	90

Which country should specialize in what commodity? Will specialization and trade be gainful for both the countries?