UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, Dec 2023

Course: Business Economics-II (Macro)   Semester: III
Program: BA_LLB   Time : 03 hrs.
Course Code: ECON2021   Max. Marks: 100

Instructions:

SECTION A
(5Qx2M=10Marks)

S. No.		Marks	CO
Q 1	What is the primary principle behind the Ricardian theory of comparative advantage in international trade? a) Absolute cost differences b) Factor endowments c) Comparative cost differences d) Domestic market demand	2	CO1
Q 2	Disposable Income is calculated by subtracting _____ from Personal Income. a) Personal taxes b) Corporate taxes c) Government spending d) Transfer payments	2	CO1
Q 3	The concept of "marginal utility" refers to: a) The additional satisfaction gained from consuming one more unit of a good or service b) The total satisfaction derived from all units of a good or service c) The average satisfaction per unit of a good or service d) The total utility of an individual or household	2	CO1
Q 4	The life-cycle hypothesis of consumption proposes that individuals: a) Save more when young and consume more when old b) Consume more when young and save more when old c) Consume consistently throughout their lives d) Do not consider their life stage in consumption decisions	2	CO1
Q 5	Demand-pull inflation occurs when: a) There is a decrease in aggregate demand b) There is an increase in aggregate supply c) Aggregate demand exceeds aggregate supply d) Aggregate supply exceeds aggregate demand	2	CO1

SECTION B (4Qx5M= 20 Marks)			
Q 6	Define "opportunity cost" and illustrate how it influences decision-making in everyday life.	5	CO1
Q 7	Explain the components of the Balance of Payments (BOP).	5	CO2
Q 8	Explain the concept of "Privatization" and provide a simple example of how it works in transforming government-owned entities	5	CO2
Q 9	What are injections and leakages in the circular flow of income? Provide examples of each	5	CO4
SECTION-C (2Qx10M=20 Marks)			
Q 10	Analyze the Phillips curve and its implications for the relationship between inflation and unemployment.	10	CO3
Q 11	Explore the concept of comparative advantage as proposed by David Ricardo and what are the limitations of this theory in explaining modern trade dynamics?	10	CO4
SECTION-D (2Qx25M=50 Marks)			
Q 12	Discuss the concept of fiscal policy in macroeconomics. Explain how changes in government spending and taxation can impact a country's economy, and provide examples of when expansionary or contractionary fiscal policies might be appropriate.	25	CO4
Q 13	Explore the implications of the permanent income hypothesis on the consumption function. How does this theory explain changes in consumer spending over time, and what are its policy implications?	25	CO4