Name: Enrolment No:	

UPES

End-Semester Examination, December2025

Program Name: BA_LLB/ALL **Semester: 3rd**
Course Name: Business Economics-II (Macro) **Time: 03 hrs**
Course Code: ECON2021 **Max. Marks: 100**
No. of page (s): 2

SECTION A
(5Qx2M = 10 Marks)

S. No.		Marks	CO
Q1	Define comparative advantage with an example.	**2**	**CO1**
Q2.	Write the two main components of the Balance of Payments?	**2**	**CO1**
Q3.	What mainly drives inflation in India, causing a flat Philips Curve.	**2**	**CO1**
Q4.	Define the term 'repo rate' in the context of RBI's monetary policy.	**2**	**CO1**
Q5.	What is the difference between nominal GDP and real GDP.	**2**	**CO1**

SECTION B
(4Qx5M = 20 Marks)

Q6.	Investment depends on both the Marginal Efficiency of Capital (MEC) and the Rate of Interest (r). Explain this statement with a suitable example, a simple graph, and a real-world RBI repo rate scenario.	**5**	**CO2**
Q7.	Discuss the structural challenges in India's labor market that contribute to high youth unemployment and low female labor force participation.	**5**	**CO2**
Q8.	Differentiate between Free Trade and Protectionism.	**5**	**CO2**
Q9.	Describe the circular flow of income and expenditure in a four-sector economy	**5**	**CO2**

SECTION C
(2Qx10M = 20 Marks)

Q10.	Compute GDP at factor cost given GDP at market price is ₹25 trillion, indirect taxes are ₹3 trillion, and subsidies are ₹1 trillion. Why is it important to distinguish between GDP at market price and GDP at factor cost?	**10**	**CO3**
Q11.	Evaluate the effectiveness of using expansionary fiscal policy-specifically increasing public expenditure and reducing income tax to combat recession in Country X through the Keynesian income-expenditure model. Discuss its impact on aggregate demand, national income, employment, and the multiplier effect. Highlight key limitations of this approach.	**10**	**CO3**

SECTION D
(2Qx25M=50 Marks)

Q12	**Case Study:** India's Macroeconomic Challenges : Consumption Slowdown, Tight Monetary Policy, Trade Pressures, and Global Uncertainty: Over the past few years, India's economy has faced multiple interconnected challenges. • Household consumption growth has slowed due to rising food and fuel inflation, high precautionary savings, and weak rural demand. • To contain inflation above the 6% threshold, the RBI adopted a tight monetary policy, raising the repo rate several times. As a result,	**25**	**CO4**

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- borrowing costs increased for businesses, MSMEs, NBFCs, and consumers.
- Private investment weakened as firms faced low Marginal Efficiency of Capital (MEC) relative to rising interest rates.
- Global uncertainties and high crude oil prices widened India's Current Account Deficit (CAD) and put pressure on the rupee.
- At the same time, India's agricultural support policies (like MSP and public stockholding) attracted criticism at the WTO for allegedly distorting global trade.

These developments collectively affected GDP growth, employment, exports, inflation, and external stability.

Answer the following questions:

a) Evaluate how rising inflation and slowing household consumption impact India's GDP using the Psychological Law of Consumption and the multiplier mechanism. Explain with recent real-world trends. **(15 Marks)**

b) Using the Keynesian Investment Function, critically analyse how rising interest rates and declining Marginal Efficiency of Capital (MEC) influence private investment in India. Support with numerical or sectoral examples. **(10 Marks)**

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<td>Q13.</td>
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a) Critically evaluate the major causes of unemployment in India and assess the effectiveness of recent government measures in reducing it. Suggest policy interventions based on your analysis. **(10Marks)**

b) **Calculate National Income or NNP at FC. (15 Marks)**

<table>
<tr><th>Particulars</th><th>₹ in crores</th></tr>
<tr><td>GDP at MP</td><td>7,500</td></tr>
<tr><td>Replacement cost of capital</td><td>600</td></tr>
<tr><td>Goods and services tax</td><td>220</td></tr>
<tr><td>Factor income from abroad</td><td>150</td></tr>
<tr><td>Subsidies</td><td>70</td></tr>
<tr><td>Factor income to abroad</td><td>250</td></tr>
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<td>25</td>
<td>CO4</td>
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