

Name:
Enrolment No:



UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2019

Course: Business Economics II
Course Code: ECON 1006

Semester: II

Programme: BBA Auto Marketing/Digital Marketing

Time: 03 hrs.

Max. Marks: 100

Instructions: Answer **all** the questions from Section A, **Four** questions from Section B, **Two** questions from Section C and Section D is **compulsory**.

SECTION A (10*2 = 20 marks)

S. No.	Answer all the questions.	Marks	CO
Q. 1	Speculative motive of demand for money is ----- (increasing / decreasing) function of interest rate.	2	CO1
Q. 2	An increase in money supply causes the LM curve to shift ----- (upward / downward).	2	CO2
Q. 3	An increase in tax rate shifts the IS curve to the ----- (right / left).	2	CO2
Q. 4	Equilibrium in the goods market implies that an increase in interest rate leads to ----- (increase / decrease) in output.	2	CO1
Q. 5	An increase in money supply leads to ----- (lower / higher) output and ----- (lower / higher) interest rate.	2	CO1
	Define the following concepts. Answer should be precise and short.		
Q. 6	Define GDP deflator.	2	CO1
Q. 7	What is inflation? How to measure it at wholesale level?	2	CO1
Q. 8	What do you mean by liquidity trap?	2	CO1
Q. 9	How to compare the income level of two different countries?	2	CO2
Q. 10	State the relationship between interest rate and speculative motive of demand for money.	2	CO2

SECTION B (5*4 = 20 marks)

Q. 11	What is aggregate demand? How does equilibrium output change when aggregate demand increases?	5	CO1
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Q. 12	Explain the circular flow of income and expenditure in a two-sector economy (i.e. Households and Firms).	5	CO3
Q. 13	Explain Keynes's Psychological Law of Consumption.	5	CO1
Q. 14	What are the different motives of demand for money?	5	CO1
Q. 15	Discuss the expenditure method of measuring GDP of a country. Discuss the limitations of this method.	5	CO1
SECTION-C (15*2 = 30 marks)			
Q. 16	Explain the causes and consequences of inflation.	15	CO3
Q. 17	Explain how the goods market and money market achieve equilibrium simultaneously using the IS-LM model.	15	CO2
Q. 18	Is expansionary monetary policy effective to increase output when the economy is in liquidity trap?	15	CO4
SECTION-D (30 marks)			
Q. 19	<p>Q.14 Consider the following Macroeconomic model. Find the equilibrium level of income Y</p> $Y = C + I + G$ $C = 200 + 0.4(Y - T)$ $I = 50 + 0.3Y - 0.2i$ $G = 1000$ $T = 100$ <p>where Y represents income, C is personal consumption, I is private investment, T is tax, i is interest rate and G is government expenditure</p>	15	CO4
Q. 20	Explain the effects of increase in government expenditure on equilibrium output and interest rate through the IS-LM model. What happens to both output and interest rate when there is a decrease in government expenditure?	15	CO4

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SECTION A (10*2 = 20 marks)

S. No.	Answer all the questions.	Marks	CO
Q. 1	Transaction motive of demand for money is ----- (increasing / decreasing) function of income.	2	CO1
Q. 2	A decrease in money supply causes the LM curve to shift ----- (upward / downward).	2	CO2
Q. 3	Equilibrium in the goods market implies that an increase in interest rate leads to ----- (increase / decrease) in output.	2	CO2
Q. 4	Private investment is (increasing / decreasing) function of interest rate.	2	CO1
Q. 5	An increase in money supply leads to ----- (lower / higher) output and ----- (lower / higher) interest rate.	2	CO1
	Define the following concepts. Answer should be precise and short.		
Q. 6	What is inflation? How to measure it at consumer level?	2	CO1
Q. 7	How to compare the income level of two different countries?	2	CO1
Q. 8	State the relationship between interest rate and aggregate demand.	2	CO1
Q. 9	Define real gross domestic product.	2	CO2
Q. 10	What do you mean by liquidity trap?	2	CO2

SECTION B (5*4 = 20 marks)

Q. 11	Discuss the income method of measuring GDP of a country. Discuss the limitations of this method.	5	CO1
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Q. 12	Explain the circular flow of income and expenditure in a three-sector economy (i.e. Households and Firms).	5	CO3
Q. 13	Explain Keynes's Psychological Law of Consumption.	5	CO1
Q. 14	What is speculative motive of demand for money? How does interest rate influence it?	5	CO1
Q. 15	What is aggregate demand? How does equilibrium output change when aggregate demand increases?	5	CO1
SECTION-C (15*2 = 30 marks)			
Q. 16	What is demand-pull inflation? Explain different measures to control inflation.	15	CO3
Q. 17	Explain how the goods market and money market achieve equilibrium simultaneously using the IS-LM model.	15	CO2
Q. 18	Is expansionary monetary policy effective to increase output when the economy is in liquidity trap?	15	CO4
SECTION-D (30 marks)			
Q. 19	<p>Q.14 Consider the following Macroeconomic model. Find the equilibrium level of income Y</p> $Y = C + I + G$ $C = 400 + 0.3(Y - T)$ $I = 50 + 0.4Y - 0.1i$ $G = 1000$ $T = 100$ <p>where Y represents income, C is personal consumption, I is private investment, T is tax, i is interest rate and G is government expenditure</p>	15	CO4
Q. 20	Explain the concept “inflation is a monetary phenomenon” using the quantity theory of money.	15	CO4