

Name:  
Enrolment No:



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

**Course: Business Economics-II**

**Semester: II**

**Program: BBA (LM)**

**Time: 03 Hours**

**Course code: ECON1006**

**Max. Marks: 100**

**Instructions: For Section A, write only the correct choice. No need to write the details of the choice.**

**For Section B, Restrict the answer in five sentences or one paragraph.**

**For Section C, Restrict the answer in to 2 Pages.**

**For Section D, Restrict the answer into 4 Pages.**

***Highlight or Underline the important parts of your answer for Section-B, C, and D.***

***Answer all the section in continuous order. Section A, B, C, D and also with respect to the questions in the same section.***

	Multiple Choice Type Questions.	Marks	CO
Q 1	Classification of Economics into two branches (macroeconomics and micro-economics) was done by (a) J. M. Keynes (b) Milton Friedman (c) Ragnar Frisch (d) Adam Smith	2	CO 1
Q 2	Macroeconomics is not concerned with (a) Measurement of economic variables (b) Business cycles (c) Industrial policy (d) Stabilization policies	2	CO 1
Q 3	WPI calculation excludes the prices of which of the following? (a) Ball bearings used in bicycles (b) Cigarettes (c) Train ticket from Ahmedabad to New Delhi (d) Pig iron used in smelters	2	CO 1
Q 4	Wholesale inflation rate in India is declared on the basis of (a) CPI-IW (b) WPI (c) CPI-Rural (d) GDP deflator	2	CO 1

Q 5	If the college fee increases, which of the indices is unlikely to be affected? (a) WPI (b) GDP-Deflator (c) CPI-IW (d) CPI-Urban	2	CO 1
Q 6	Indian rupee has depreciated against US dollar overtime largely due to (a) Relatively low per capita income in India (b) Relatively high interest rate in India (c) Relatively high inflation rate in India (d) Relatively low growth rate in India	2	CO 1
Q 7	Which of the following statements is true? (a) Investment expenditure is the most volatile component of aggregate demand. (b) Investment expenditure is counter cyclical (c) Purchase of gold by a household is an investment for the country. (d) Investment and capital are unrelated.	2	CO 1
Q 8	By the acceleration principle, investment is a (a) Positive function of output (b) Negative function of the interest rate (c) Positive function of the rate of change in output (d) Positive function of the Tobin's Q	2	CO 1
Q 9	Relatively high inflation countries (a) Revalue their nominal exchange rates to maintain stable real exchange rate (b) Devalue their nominal exchange rates to maintain their competitiveness (c) Are unaffected in their export competitiveness (d) Never resort to devaluation	2	CO 1
Q 10	Under the Bretton Woods system, the exchange rate was (a) A fixed number based on gold parity (b) Fixed within a narrow band (c) Managed float (d) Crawling peg	2	CO 1

**SECTION B**

**Short answer type questions**

Q 11	What are the motivations behind business fixed investment?	5	CO 1
Q 12	What are the advantages of International trade in the context of an open economy?	5	CO 4
Q 13	Name the various indices used in India to measure Inflation.	5	CO 3
Q 14	What is Big Mac Index?	5	CO 1

**SECTION-C**

**Answer any two questions**

Q 15	Explain whether tariff or quota is better for an open economy. Explain in detail with the help of diagram.	15	CO 4
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Q 16	<p>Define marginal efficiency of capital and suggest the factors determining it. Consider an investment proposal in Uttarakhand, which yields annual prospective yields (net returns) of Rs. 500 Crores in first year, Rs 400 Crores in second year and Rs 300 crores in the final year of its life. The initial capital required to undertake the investment is Rs 800 crores. The cost of raising the capital is 10%. Find out the MEC of the investment and suggest whether the investment is worth making? Use the future value discount factors from the below table</p> <table border="1" data-bbox="204 457 1300 730"> <thead> <tr> <th data-bbox="204 457 467 520">Period 1</th> <th data-bbox="475 457 722 520">20%</th> <th data-bbox="730 457 977 520">24%</th> <th data-bbox="985 457 1232 520">25%</th> <th data-bbox="1240 457 1300 520"></th> </tr> </thead> <tbody> <tr> <td data-bbox="204 531 467 594">1</td> <td data-bbox="475 531 722 594">1.2000</td> <td data-bbox="730 531 977 594">1.2400</td> <td data-bbox="985 531 1232 594">1.2500</td> <td data-bbox="1240 531 1300 594"></td> </tr> <tr> <td data-bbox="204 604 467 667">2</td> <td data-bbox="475 604 722 667">1.4400</td> <td data-bbox="730 604 977 667">1.5376</td> <td data-bbox="985 604 1232 667">1.5625</td> <td data-bbox="1240 604 1300 667"></td> </tr> <tr> <td data-bbox="204 678 467 730">3</td> <td data-bbox="475 678 722 730">1.7280</td> <td data-bbox="730 678 977 730">1.9066</td> <td data-bbox="985 678 1232 730">1.9531</td> <td data-bbox="1240 678 1300 730"></td> </tr> </tbody> </table>	Period 1	20%	24%	25%		1	1.2000	1.2400	1.2500		2	1.4400	1.5376	1.5625		3	1.7280	1.9066	1.9531		15	CO 1
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Q 17	Explain the role of International Financial Institutions in the context of integration of world economy.	15	CO 5																				
<b>SECTION-D</b> <b>Answer any one question</b>																							
Q 18	Critically analyze the Impact of Globalization on Indian Economy.	30	CO 4																				
Q 19	What do you mean by Investment Function. Discuss the factor affecting various type of Investment in detail. What is the role of FDI in increasing the aggregate Investment in Indian Industries. Explain in Detail.	30	CO 4																				