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Name of the College (Please tick, symbol is given)	:	**COES**		**CMES**	✓	**COLS**	
Program/Course	:	**BBA/General/Oil and Gas Marketing/E-Commerce**					
Semester	:	**II**					
Name of the Subject	:	**Business Economics II**					
Subject Code	:	**BBCE 112**					
Name of Question Paper Setter	:	**UPANANDA PANI**					
Employee Code	:	**40001060**					
Mobile & Extension	:	**8171067480**					

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UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, May 2017

Program/course: BBA/ General/Oil and Gas/Ecommerce **Semester – II**
Subject: Business Economics-II **Max. Marks : 100**
Code : BBCE 112 **Duration : 3 Hrs.**
No. of page/s: 4

Section-A 20×1=20

All the questions in Section-A are compulsory

Write the correct answer for the following fill in the blanks questions.

1. The GDP is an underestimate of gross domestic production because it ignores
   (a) __________ and
   (b) __________

2. If private income = 17433, business savings = 232, corporate tax = 299, personal direct tax = 347, depreciation 1292, public debt interest = 962, the private disposable income would equal __________

3. The three gaps in national income accounting are
   (a) Saving-investment gap
   (b) Import-export gap and
   (c) __________

4. The CPI indices available in India include:
   (a) CPI -industrial workers
   (b) CPI – Urban
   (c) CPI - __________ and
   (d) CPI -__________

5. Absolute income theory of consumption was advanced by __________

6. The three components of investment expenditure are:
   (a) Fixed non-residential investments
   (b) __________ and
   (c) __________

7. Cost of capital equals nominal interest rate plus ___________ minus __________
8. Investment varies positively with __________ and __________, and negatively with the real __________

9. The most volatile component of investment is ____________

10. Firms invest in inventories because

(a) Production necessitates goods in process
(b) ____________________
(c) ____________________

11. Trade deficit means __________

12. Two examples of the quantitative restrictions on trade are

(a) __________ and
(b) __________

13. Trade deficit would increase if

(a) __________ increases and
(b) __________ decreases.

14. Increase in world income tends to __________ India's net exports.

15. Under the floating exchange rate system, the exchange rate is determined by __________

16. Indian rupee has depreciated in relation to the US dollar in last couple of years because

(a) __________ and
(b) __________

17. If the inflation at home exceeds that in abroad, ceteris paribus, then the domestic currency will ____________ in real terms

18. The J curve describes the relationship between the ____________and ____________ caused by devaluation.

19. The Indian rupee tends to depreciate in the real terms when India's

(a) Imports of goods and services _______________ and
(b) Exports of capital _______________

20. The Okun's law describes the relationship between __________ and __________.

Section-B 4×5=20

Short Answer Type Questions

Answer any four questions

21. Explain the factors , which affect total exports and total imports of a country?

22. Suppose that the rupee is appreciating steadily against the dollar. How would this affect you if

i. You want to visit the USA as tourist;
ii. You are an exporter of handicrafts to the USA;
iii. Your NRI uncle sends you a gift cheque for $100?

23. What are the various types of exchange rates? Explain the difference between fixed and floating exchange rate.

24. What do you mean by ***green field*** and ***brown field*** Investment? Give Examples.

25. What are the different types of Inflation?

Section-C $3\times10=30$

Long Answer Type Questions

Answer any three questions

26. Define multiplier. Suppose the economy under study is faced with the following:

Consumption function C = 250 + 0.75Y

Investment function I = 65 + 0.15Y

Find the value marginal propensity to save and equilibrium income. Suppose autonomous investment increases by 25. Compute the change in equilibrium income.

27. What is the difference between demand pull and cost push inflation? Explain demand pull inflation in detail.

28. What are the different types of investment. Explain the factors affecting Investment of an Economy.

29. 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 discfactors from the below table

Period 1	20%	24%	25%	30%
1	1.2000	1.2400	1.2500	1.3000
2	1.4400	1.5376	1.5625	1.6900
3	1.7280	1.9066	1.9531	2.1970

Section-D (Compulsory) 2×15=30

Analytical Type questions

30. What are the benefits of international trade for an economy? Which is a better trade barrier between tariff and quotas? Explain in detail.

31. What do you mean by devaluation of Indian rupee? Explain the impact of devaluation of Rupees on Indian Economy?