



Name:

Enrolment No:

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, May 2022

Course: B Com (Hons.) and BBA (All)

Program: Business Economics-II

Course Code: ECON 1006

Semester: II

Time: 03 hrs.

Max. Marks: 100

Instructions: Attempt all the questions.

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1	If the working hours increases, ceteris paribus, then the economy GDP would- (a) Increase. (b) Decrease. (c) Remain constant. (d) Uncertain.	2	CO1
Q 2	Real GDP increases- (a) When there is an increase in the price level. (b) When there is an increase in the output of goods and services. (c) When there is an increase in the population. (d) At a constant rate over time.	2	CO1
Q 3	Many workers have lost their jobs due to installation of computers, which they do not know how to operate. This has caused- (a) Frictional unemployment. (b) Structural unemployment. (c) Voluntary unemployment. (d) Cyclical unemployment.	2	CO1
Q 4	The CPI for "All Items" was 250.546 in April 2018, and 255.548 in April 2019. Over this period, the rate of inflation as measured by the rate of change of the CPI was a) 0.98% b) -1.96% c) 2.00% d) 0.50%	2	CO1
Q 5	By definition, the marginal propensity to consume- (a) Equals $\Delta c/\Delta Y_d$. (b) Is the coefficient b in the equation $C = a + bY_d$.	2	CO1

	(c) Is the slope of the consumption function. (d) All of the above.		
Q 6	Cost-push inflation could arise due to- (a) Oil price hike. (b) Increased dearness allowance. (c) Tight monetary policy. (d) all of the above.	2	CO1
Q 7	The phenomenon of rising prices accompanied by increased real income is described as- (a) Inflation. (b) Disinflation. (c) Reflation. (d) Deflation.	2	CO1
Q 8	On the balance-of-payments statements, merchandise imports are classified in the- (a) Current account. (b) Capital account. (c) Unilateral transfer account. (d) Official settlements account.	2	CO1
Q 9	In a country's balance of payments, which of the following transactions are debits? - (a) Domestic bank balances owned by foreigners are decreased. (b) Foreign bank balances owned by domestic residents are decreased. (c) Assets owned by domestic residents are sold to nonresidents. (d) Securities are sold by domestic residents to nonresidents.	2	CO1
Q 10	Due to appreciation of domestic currency- (a) Export rises. (b) Import rises. (c) Import falls (d) Export falls.	2	CO1
SECTION B 4Qx5M= 20 Marks			
Q 11	Explain various determinants of investment function. Or Explain the stability dynamics in goods and money markets using IS -LM curve.	5	CO2
Q 12	What is meant by disguised unemployment? How can the problem of disguised unemployment in developing countries be solved? Or	5	CO2

	<p>The residents of Dehradun spend all of their income on cauliflower, broccoli, and carrots. In 2016, they spend a total of \$210 for 100 heads of cauliflower, \$70 for 50 bunches of broccoli, and \$45 for 450 carrots. In 2017, they spend a total of \$225 for 90 heads of cauliflower, \$112 for 80 bunches of broccoli, and \$120 for 400 carrots.</p> <p><i>Complete the following table by calculating the price of one unit of each vegetable in each year.</i></p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th>Year</th> <th>Cauliflower</th> <th>Broccoli</th> <th>Carrots</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>-----\$</td> <td>-----\$</td> <td>-----\$</td> </tr> <tr> <td>2017</td> <td>-----\$</td> <td>-----\$</td> <td>-----\$</td> </tr> </tbody> </table> <p>Using 2016 as the base year, the CPI for 2016 is _____, and the CPI for 2017 is _____. The inflation rate in 2017 is _____% using the CPI</p>	Year	Cauliflower	Broccoli	Carrots	2016	-----\$	-----\$	-----\$	2017	-----\$	-----\$	-----\$		
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Q 13	<p>Describe the various phases of business cycle.</p> <p>Or</p> <p>Various Methods of National Income Accounting.</p>	5	CO2
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Q 14	<p>Balance of payments must always balance. Is it true? Explain.</p> <p style="text-align: center;">Or</p> <p><i>Complete the following table by filling in the missing cells.</i></p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th>Year</th> <th>Real GDP (in year 2000 dollars)</th> <th>Nominal GDP (in current dollars)</th> <th>GDP Deflator</th> </tr> </thead> <tbody> <tr> <td>1970</td> <td>4,000</td> <td>2000</td> <td>-----?</td> </tr> <tr> <td>1980</td> <td>6,000</td> <td>-----?</td> <td>75</td> </tr> <tr> <td>1990</td> <td>-----?</td> <td>6,300</td> <td>90</td> </tr> <tr> <td>2000</td> <td>-----?</td> <td>9,000</td> <td>-----</td> </tr> <tr> <td>2010</td> <td>-----?</td> <td>12,000</td> <td>150</td> </tr> <tr> <td>2020</td> <td>10,000</td> <td>-----?</td> <td>280</td> </tr> <tr> <td>2030</td> <td>15,000</td> <td>45,000</td> <td>-----?</td> </tr> </tbody> </table>	Year	Real GDP (in year 2000 dollars)	Nominal GDP (in current dollars)	GDP Deflator	1970	4,000	2000	-----?	1980	6,000	-----?	75	1990	-----?	6,300	90	2000	-----?	9,000	-----	2010	-----?	12,000	150	2020	10,000	-----?	280	2030	15,000	45,000	-----?	5	CO2
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SECTION-C
3Qx10M=30 Marks

Q 15	<p>Inflation may originate because of cost-push but it cannot be sustained for long unless it is supported by demand-pull inflation. Explain it.</p> <p style="text-align: center;">Or</p> <p><i>Why is inflation bad? What costs does inflation impose on society? List all the ones you can think of. Focus on the long run and think like an economist.</i></p> <p style="text-align: center;">Or</p> <p><i>Demonstrate, how much inflation is good for developing economy like India?</i></p>	10	CO3
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Q 16	<p>What is devaluation? Is it an effective way of correcting disequilibrium in the balance of payments?</p> <p style="text-align: center;">Or</p> <p><i>Given that: $C = \alpha + \beta Y$ and $I = \bar{I} - bi$. Determine the slope of IS equation</i></p>	10	CO3
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	<p style="text-align: center;">Or</p> <p>“Consumer Price Index and GDP deflator” Explain the similarity and the difference between the two.</p>		
Q 17	<p>How will the following factors affect foreign exchange rate of rupee?</p> <p>(a) Higher rate of inflation in India, and (b) Higher rates of interest in India.</p> <p style="text-align: center;">Or</p> <p><i>How to boost the employment in India? Suggest the policies to be implemented.</i></p>	10	CO4
<p>SECTION-D 2Qx15M= 30 Marks</p>			
Q 18	<p>In a four-sector open economy, explains with a circular income flow model that the sum of investment, government expenditure and net exports must equal the sum of savings and taxes.</p> <p style="text-align: center;">Or</p> <p><i>Suppose the demand for money is $M_d = 0.20Y - 10i$, the money supply is Rs. 200, $C = 60 + 0.8Y$, $I = Rs. 150$.</i></p> <p>(a) <i>Find the IS and LM equation?</i> (b) <i>Find equilibrium output and the rate of interest?</i> (c) <i>Find the IS equation when investment spending doubles?</i></p> <p style="text-align: center;">Or</p> <p>Explain briefly the causes of disequilibrium in the balance of payment. Explain the measures to correct disequilibrium in the balance of payment.</p> <p style="text-align: center;">Or</p> <p>Explain the short run and long run interpretation of relationship between Inflation and Unemployment.</p>	15	CO3
Q 19	<p>Which of the following situations correspond to cyclical unemployment, structural unemployment, frictional unemployment and exit from the labour force, and why?</p> <p>(a) Some of your friends just graduated from college and have been looking for jobs for the past five weeks. (b) Jaya lost her job as a biologist at a biotech company when the whole industry went into recession. (c) Mukesh, who used to be a taxi driver, stopped looking for a job three months after he lost his job. (d) Suresh has been working as a craftsman making cotton dolls. Now all kids want plastic dolls, and Suresh has been out of a job for the past six months.</p>	15	CO4

	<p>(e) Aditi, a high-tech engineer, just decided to quit her job in a start-up in Bangalore; she is being interviewed for a better-paid job in a multinational company.</p>		
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Or

Critically examine the limitation of GDP as measure of standard of living.