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M.B.A. DEGREE EXAMINATION, APRIL/MAY 2003.

First Semester

BA 101 — ECONOMIC FOUNDATIONS OF BUSINESS ENVIRONMENT

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. What are the objectives of ninth five year planning? X
2. Distinguish balance of payment and balance of trade. X
3. What is the relationship between marginal propensity to save and income? X
4. What is the pattern of Indian tax structure? X
5. Define political business cycle. X
6. What are the objectives of Indian monetary policy? S
7. What is money-supply multiplier? - 5
8. What are the causes of unemployment? - 4
9. What is demand-pull inflation? - 4
10. What is trade multiplier? - 4

PART B — (5 × 16 = 80 marks)

11. Critically evaluate Indian economic performance during the reform period.
12. (a) The following equations represents the condition of an economy :

$$C \text{ (Consumption)} = 60 + 0.75 Y_d \text{ (disposable income)}$$

$$I \text{ (Investment)} = 40$$

$$G \text{ (Government expenditure)} = 20$$

$$T \text{ (Taxes)} = 0$$

- General

- 4

What is the equilibrium income? If the government wants to have balanced budget, how much tax does it propose to impose? What is the impact of such policy on national income? What strategies do you suggest to overcome this? How?

Or

(b) Examine the role of fiscal policy in India. What are the impacts of fiscal policy on the Indian economy? -4

13. (a) What are the monetary instruments? Using monetarist approach, explain how monetary instruments can be used to achieve economic objectives? -5

Or

(b) What are the determinants of aggregate demand and supply? How do changes in them affect national income? Discuss. -34

14. (a) What are the supply constraints? What is the impact of unemployment on the economy? What policy initiatives do we have to overcome unemployment? -2

Or

(b) Why does inflation occur? Using demand and supply related factors, explain inflation in India. -4

15. (a) What are the features of the latest trade policy of India? What impacts does it have on the external economy of India? -4x

Or

(b) Explain the trend in Balance Of Payment (BOP) situation in India since 1991 and account for the changes. -x

