

C 002

M.B.A. DEGREE EXAMINATION, NOVEMBER/DECEMBER 2002.

First Semester

BA 101 — ECONOMIC FOUNDATIONS OF BUSINESS ENVIRONMENT

Time : Three hours

Maximum : 100 marks

PART A — (10 × 2 = 20 marks)

Answer ALL questions.

1. What is investment multiplier? - 4
2. What is Gross Domestic Product at Factor Cost? - 4
3. What are the determinants of aggregate consumption? 4
4. What are the objectives of Indian Fiscal Policy? - 4
5. What is accelerator? - 4
6. What are the quantitative instruments of monetary policy? - 5
7. What is speculative demand for money? - 5
8. What is inflation? - 4
9. Define short — run Phillips curve. - 5
10. What are the major salient features of the latest trade policy of India? - 4

PART B — (5 × 16 = 80 marks)

Answer as per the choice indicated.

11. Using Aggregate demand and supply framework, examine current economic conditions of the Indian Economy.
12. (a) The following data characterizes the macro economic condition of a hypothetical economy : 72

$$C = 50 + 0.80 Y_d$$

$$I = 50$$

$$T = 0$$

where C , I , T and Y_d represent consumption, investment, taxes and disposable income respectively. Calculate equilibrium income of the economy. If the economy is to grow at 10% per annum, what strategies do you suggest? Explain them in detail.

Or

(b) What are the different phases of business cycle? Explain business cycle using multiplier-accelerator model. - 4

13. (a) What are features of financial sector reform in India? What are the impacts of such reform on the economy? - X

Or

(b) How are monetary policy instruments being used in India to achieve economic objectives? Critically analyze. - 5

14. (a) Examine the trend in overall price level in India during the period since 1991. Explain using macro economic models. - 3

Or

(b) Discuss the trend in employment growth in the private and public sectors of the economy. Examine poor elasticity of employment. How do we overcome it? - 4

15. (a) An economy is characterized by the following equations :

$$C \text{ (consumption)} = 60 + 0.9 Y_d$$

$$I \text{ (investment)} = 10$$

$$G \text{ (government expenditure)} = 10$$

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

$$X \text{ (exports)} = 20$$

$$M \text{ (imports)} = 10 + 0.05 Y$$

What is the equilibrium income? Examine the trade balance. If you want to balance your trade account, what strategies do you suggest? Explain. - 4

Or

(b) What are the instruments of trade policy? What are the objectives of trade policy? How do we use the instruments to achieve our objectives? - 5

