

## **QUESTION 2015**

### **Group – A**

#### **(Multiple Choice Type Questions)**

1. Answer any ten questions:

- i) The main difference between Business Economics and Traditional Economics is
- ✓ a) business economics is application while economics is a body of knowledge
  - b) business economics is macro in character while traditional economics is micro in character
  - c) profit is not the motive in business economics while profit is the only motive in traditional economics
  - d) business economics is not influenced by environment factors while traditional economics is influenced by environmental factors.
- ii) Empirical test of a model is usually done by
- a) accepting the model
  - b) rejecting the model
  - c) revising the model
  - ✓ d) checking consistency of predictions
- iii) The IS curve will shift rightward if
- a) Government expenditure decreases
  - b) Money supply increases
  - ✓ c) Government expenditure increases
  - d) money supply decreases
- iv) GATT stands for
- ✓ a) General Agreement on Trade and Tariff
  - b) General Agreement on Technical Trade
  - c) General Agreement on Trade and Technology
  - d) General Agreement on Time of Trade

- v) Fiscal policy deals with  
a) Government expenditure  
✓c) Both (a) and (b)  
b) Tax  
d) Supply of money
- vi) The degree of association between two variables is measured by  
a) regression coefficient  
c) both (a) and (b)  
✓b) correlation coefficient  
d) none of these
- vii) Fixed exchange rate is subjected to  
✓a) Central bank's control  
c) State bank's control  
b) Commercial bank's control  
d) Any bank's control
- viii) When National Income is at equilibrium  
✓a) Saving = Investment  
c) Saving > Investment  
b) Saving < Investment  
d) None of these
- ix) A Quota is a  
✓a) tax on imports  
c) subsidy  
b) quantitative restriction on import  
d) all of these
- x) Carrying costs increase as the level of inventory  
a) decreases  
c) remains the same  
✓b) increases  
d) becomes steady
- xi) An economy is in liquidity trap. If the central bank increase the cash reserve ratio  
a) money supply increase  
c) aggregate income falls  
b) interest rate falls  
✓d) none of these
- xii) In a fair game the value of the game is  
✓a) zero  
c) less than zero  
b) greater than zero  
d) none of these

**Group – B****(Short Answer Type Questions)****2. What are the different components of B.O.P?****See Topic: ECONOMIC CONCEPT FOR MANAGERS, Short Answer Type Question No. 7.****3. Find the value of Balanced Budget Multiplier in the Simple Keynesian Model.****See Topic: FISCAL AND MONETARY POLICIES, Short Answer Type Question No. 8.**



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4. In an economy  $C = 60 + 0.8Y$ ;  $I = 116 - 2r$ ,  $Md = 0.2y - 5r$ ,  $M_s = 120$ . Find equilibrium values of  $Y$  and  $r$ .

See Topic: FISCAL AND MONETARY POLICIES, Short Answer Type Question No. 9.

5. Explain the problem of Prisoners' Dilemma with example.

See Topic: BUSINESS AND ECONOMIC MODELS, Short Answer Type Question No. 6.

6. Write a note on WTO and its functioning.

See Topic: ECONOMIC CONCEPT FOR MANAGERS, Short Answer Type Question No. 9.

### Group - C

(Long Answer Type Questions)

7. a) Define business cycle.

b) What are its characteristics?

c) Explain with graphically the different phases of Business cycle.

See Topic: FISCAL AND MONETARY POLICIES, Long Answer Type Question No. 1.

8. Determine the equilibrium rate of interest and income in an IS-LM framework. Explain how this equilibrium rate of interest and income changes when

(i) Government expenditure increases (ii) Money supply increases.

See Topic: FISCAL AND MONETARY POLICIES, Long Answer Type Question No. 4.

9. a) What is constrained optimization?

b) If an individual's utility function of two goods is given by  $u = (x + 2)(y + 1)$  and  $P_x = 2$ ,  $P_y = 5$ , and income ( $m$ ) = 51, find the optimum level of purchases of  $x$  and  $y$  by the consumer using Lagrange multiplier method.

See Topic: OPTIMIZATION, Long Answer Type Question No. 8.

10. a) Find the two regression lines from the following data

X:	1	2	3	4	5	6	7
Y:	11	22	17	26	28	30	20

b) A sample survey of 81 documentaries reveals an average length of 90 minutes standard deviation and a mean of 20 minutes. Find the interval estimate of population mean at 90% and 95% confidence. [90% =  $\pm 1.645$ , 95% =  $\pm 1.96$ ].

See Topic: BUSINESS AND ECONOMIC MODELS, Long Answer Type Question No. 8.

**BUSINESS ECONOMICS**

11. Write short notes on any three of the following:

- a) Liquidity trap
- b) Model building
- c) Role of IMF
- d) Trade liberalization in India.

a) See Topic: **FISCAL AND MONETARY POLICIES**, Long Answer Type Question No. 8(d).

b) See Topic: **BUSINESS AND ECONOMIC MODELS**, Long Answer Type Question No. 9.

c) See Topic: **ECONOMIC CONCEPT FOR MANAGERS**, Long Answer Type Question No. 6(e).

d) See Topic: **ECONOMIC CONCEPT FOR MANAGERS**, Long Answer Type Question No. 6(f).