

**SYBFM SEM IV**

**BUSINESS ECONOMICS-II**

Time: 2½ hours

16.3.20



Marks: 75

Note: All questions are compulsory  
Figures to the right indicate full marks  
Draw diagram wherever necessary

**Q1A. State whether the following statement are True or False (any 8)**

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1. Recession, if not controlled will lead to depression.
2. Higher the MPC, higher the value of multiplier.
3. During depression, velocity of circulation of money will be high.
4. Repo rate is the rate of interest paid by central bank.
5. Externalities affect resource allocation and result in less welfare.
6. The balanced budget principle was considered as sound finance.
7. Fiscal and monetary policies should be combined to ensure stability.
8. FDI involves transfer of technology.
9. Arbitrage helps to equalize the exchange rate.
10. Protectionism is adopted only by the developing countries.

**Q1B. Match the following pair (any 7)**

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1. Boom	a. International Monetary Fund
2. Green accounting	b. Future delivery
3. Fiscal policy	c. Purchasing power parity theory
4. Transfer expenditure	d. Unemployment allowances
5. External loans	e. Public expenditure
6. Cash Reserve Ratio	f. Expansionary phase
7. Demand for money	g. Liquidity preference
8. G.S. Dorrance	h. Monetary policy
9. Gustav Casell	i. Sustainable development
10. Forward exchange rate	j. Income terms of trade

**Q2 Attempt A and B or C and D**

- A. Explain the circular flow of income in a four sector open economy. 8
  - B. What is trade cycle ? Explain the various phases of trade cycle. 7
- OR**
- C. Examine Keynes's principles of effective demand. 8
  - D. Explain the concept and working of multiplier with an example. 7

**Q3 Attempt A and B or C and D**

- A. Discuss Keynes's theory of demand for money. 8
- B. What is inflation? Discuss its effects. 7
- OR**
- C. Discuss the measures adopted to control inflation. 8
- D. Explain in brief the various instruments of monetary policy. 7

**Q4 Attempt A and B or C and D**

- A. What are the effects of taxation. 8
- B. Explain the structure of union budget. 7
- OR**
- C. Explain the features of FRBM Act 2003. 8
- D. What is fiscal policy? Explain the objectives of fiscal policy. 7

**Q5 Attempt A and B or Short notes**

- A. Explain the Hechscher-Ohlin theory. 8
- B. Explain the purchasing power parity theory. 7

**OR**

Write short notes (any 3)

1. Scope of macroeconomics
2. Velocity of circulation of money
3. Characteristics of public goods
4. Role of MNCs
5. Types of terms of trade

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