

Malini Kishor Sanghvi College of Commerce & Economics

Course Name : S.Y.B.M.S

Sem : IV

Subject: Business Economics-II

Duration: 2.5 hours

Marks: 75

Note: Attempt all questions

All questions are compulsory with internal choice

Use of simple calculator is permitted

Draw schedules, graphs and diagrams wherever necessary

Q1 A. Multiple choice questions: (Any 8)

(08 Marks)

- 1) There has been a movement upwards along the supply curve of a product. What is the **most** likely explanation for this?
- a) Consumer incomes have fallen.
 - b) New technology has made the product cheaper to produce.
 - c) The government has imposed a tax on the product.
 - d) The price of a substitute good has increased.

- 2) The table shows tax paid at different income levels in an economy.

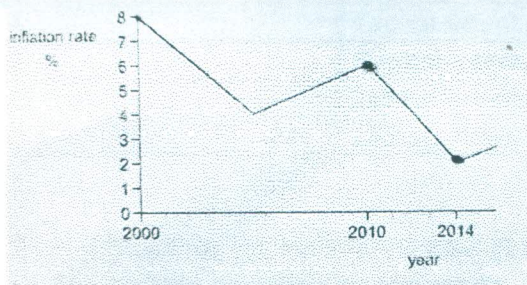
Income level (\$)	Tax paid (\$)
5000	500
12000	2400
20000	5000
30000	6000

Which description of the tax system used is correct?

- a) Continually progressive
 - b) Progressive then regressive
 - c) Proportional
 - d) Regressive then progressive
- 3) The government uses monetary policy and reduces the interest rate. What might be a consequence of this?
- a) A decrease in the rate of inflation
 - b) An increase in the level of investment

- c) An increase in the level of savings
 - d) An increase in unemployment
- 4) In Botswana, better healthcare has meant that birth rates have been falling faster than death rates. Also the number of children born, on average, to each woman has declined from 6.4 to 3.2. What may be concluded from this information?
- a) Government spending on education will need to increase.
 - b) Medical improvements have resulted in falling infant mortality rates.
 - c) There will be a decline in income for each person working.
 - d) There will, in the long run, be an increase in the working population.

5)



The graph shows the rate of inflation in a country between 2000 and 2014.

What can be concluded about average prices?

- a) They fell throughout the period
 - b) They peaked in 2010
 - c) They rose each year
 - d) They were lower in 2010 than they were in 2014.
- 6) A business person employs two people to make sandwiches to sell in a café. As well as labour, which factors of production are involved in this activity?
- a) Capital, enterprise & land
 - b) Capital & land only
 - c) Capital & enterprise only
 - d) Enterprise & land only
- 7) The table shows the percentage change in earnings & consumer prices for four countries for one year. Which country will have experienced a constant level of real income during the year?

	Earnings	Consumer Prices
A	7.5	6
B	5	4
C	3	3

D	0	2
---	---	---

8) A government decided to increase its spending on building schools and hospitals. Which aim of government policy is most likely to be achieved by this increase?

- a) A balance of payments surplus
- b) A stronger exchange rate
- c) Economic development
- d) Price stability

9) All countries need to produce food.

Which type of agriculture would make the best use of the resources of developing and developed economies?

	Developing	Developed
A	Capital-intensive	Capital-intensive
B	Capital-intensive	Labour-intensive
C	Labour-intensive	Capital-intensive
D	Labour-intensive	Labour-intensive

10) What is meant by the equilibrium price in the market for a good?

- a) The average price paid by consumers
- b) The price at which maximum profit is made
- c) The price at which the producer break evens
- d) The price at which the supply and demand curves intersect

B) State whether the following statements are true or false: (Any Seven) (07 Marks)

- 1) $NNP = GNP - \text{Depreciation}$.
- 2) $GNP = GDP - \text{Income from abroad}$
- 3) Keynesian theory is aggressive in nature.
- 4) Stable employment is one of the objectives of monetary policy.
- 5) The supply of money is the total amount of money in the economy.
- 6) Real investment is encouraged by rising interest rates.
- 7) Fiscal policy relies on use of taxes and spending by the government.
- 8) The existence of budget deficits must mean that the government is conducting an expansionary fiscal policy.
- 9) David Ricardo's theory on Comparative Cost Advantage is one sided theory.

10) If the import prices are greater than export prices trade of a country is favourable.

Q2. Answer **ANY ONE** question from the following: (15 Marks)

- a. Explain in detail with diagram circular flow in a four-sector economy.
- b. Define macroeconomics and state in detail its significance.

OR

- c. Explain in detail the concept of multiplier and its working.
- d. Explain the Keynesian theory of effective demand along with its significance and limitations.

Q3. Answer **ANY ONE** question from the following: (15 Marks)

- a. Define supply of money and explain in detail the constituents of money supply.
- b. Define inflation and measures to control inflation.

OR

- c. Explain detail instruments of monetary policy.
- d. Enlist in detail Keynes motives for holding money as liquidity preference.

Q4. Answer **ANY ONE** question from the following: (15 Marks)

- a. Define fiscal policy and explain its objectives in detail.
- b. Write in detail cannons of taxation.

OR

- c. What is public debt and explain its types?
- d. State the objectives of FRBM Act.

Q5. Answer **ANY ONE** question from the following: (15 Marks)

- a. Explain Comparative Cost Advantage theory in detail.
- b. Explain in detail role of MNC's.

OR

Q5. B. Write explanatory notes on **ANY THREE** of the following: (15 Marks)

- a. FDI
- b. Stagflation
- c. HO factor endowments
- d. BOP

*****ALL THE BEST*****