

Name..... ID.....

BIRLA INSTITUTE OF TECHNOLOGY & SCIENCE, PILANI

FIRST SEMESTER 2021-2022

Comprehensive Examinations

Part-A (Closed Book)

Course No. : **ECON F214**

Course Title : **Economic Environment of Business (EEB)**

Date : **19/12/2022**

Time : **09.00 AM-12.00 Noon**

Max. Marks : **20.00**

Duration : **30 Minutes**

Weightage : **10%**

Instructions:

1. Write the *Name* and *ID Number* clearly in the answer sheet
2. Part A questions paper carries a total 20 questions (1 mark each) and Part B carries 10 questions (3 mark each)
3. Answer to Part A (MCQ Type) to be given in the appropriate box in the answer sheet provided only terms of Capital Letters as, A, B, C or D
4. Do not make any marking on the question paper. All rough work to be carried out in the last few pages of the main answer sheet provided.
5. Part B is short answer type questions and answer will be written in the box provided below each question.
6. All the questions are compulsory
7. Answer the questions once only, no rewriting allowed and will be evaluated.

PART-A

Question	1	2	3	4	5	6	7	8	9	10
Answer										
Question	11	12	13	14	15	16	17	18	19	20
Answer										

Part-A

Each Questions carries 1 mark (20*1=20)

Q1) The SDR is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. The SDR is neither a currency nor a claim on the IMF. Rather, it is a potential claim on the freely usable currencies of IMF members. The SDRs also called as,

- A. Total investment portfolio
- B. Export import quantity of the BOP
- C. Paper Gold
- D. Keeping gold as a fixed reserve

Q2) Moral suasion is also a weapon of credit control under...

- A. General method of credit control
- B. Quantitative method of credit control
- C. Selective method of credit control
- D. Both A & C

Q3) Dumping refers to the practice of.....

- A. Tariffs and Quotas should be cut to make more money.
- B. Exporting at a higher price and importing at lower price.
- C. Expensive goods are being sold at low prices.
- D. Sale of goods abroad at low a price, below their cost and price in the home market

Q4) Match list one with list two and select correct answer using the code given below the list,

	List-I		List-II	
a-IMF			1-To promote viable and durable multilateral trading	
b-ADB			2-To promote long-term economic development and poverty reduction by providing technical and financial support.	
c- IBRD			3-To foster economic development of Asian countries	
d-WTO			4-To reduce the degree of BOP disequilibrium of the member countries	
	a	b	c	d
A	1	2	3	4
B	4	3	2	1
C	1	3	4	2
D	4	3	1	2

Q5) The difference between the buying rate and the selling rate is referred to as the.....

- A. Spread
- B. Arbitrage
- C. buyback
- D. Currency floating

Q6) IMF provides to assist poor countries that are facing persistent BoP problems, known formerly as the Enhanced Structural Adjustment Facility (ESAF), was renamed as PRGF on 22 November 1999, and given a more explicit anti-poverty focus.

- A. Concessional financing facility
- B. Compensatory Financing Facility
- C. Supplemental Reserve Facility
- D. Developmental loans

Q7) Match list one with list two and select the correct answer using the code given below the list,

	List-I		List-II	
a-Progressive tax			1- percentage paid in tax falls as income rises	
b-Regressive tax			2- tax is progressive to a fixed point	
c-Proportional tax			3- percentage paid in tax stays the same as income rises	
d-Degressive tax			4- percentage paid in tax raises as income rises	
	a	b	c	d
A	4	1	2	3
B	4	1	3	2
C	2	4	1	3
D	2	1	3	4

Q8) Let's say a simple economy where 4800 outputs are produced, and each unit sells for ₹ 7. If there is a total amount of money involved in ₹ 3850, then below will be the velocity.

- A. 8.37
- B. 7.83
- C. 8.73
- D. 0.11

Q9) Compute the NNP at market price given, NDP at factor cost=₹ 17580 Cr., net factor income earned from abroad=₹ 95 Cr., net indirect tax=₹ 1445 Cr. & subsidies=135 Cr..

- A. 18572
- B. 18958
- C. 18985
- D. 19255

Q10) What is the WPI weightage for the manufacturing products in India?

- A. 56.3
- B. 59.4
- C. 64.2
- D. 39.8

Q11) Let's say, Mohan deposited ₹ 5,250 in a savings account, and a year later he has ₹ 5,600. In the meanwhile, the CPI rises from 178 to 185. In this scenario, the nominal interest rate is _____ percent, and the real interest rate is _____ percent.

- A. 6.67; 2.73
- B. 6.67; 2.37
- C. 6.76; 10.6
- D. 6.76; 3.05

Q12) Match list one with list two and select correct answer using the code given below the list,

List-I		List-II			
a-Inflation		1- Debtors affected, and creditors benefited			
b-Deflation		2- Debtors benefited, and creditors affected			
c- Devaluation		3- Black money holders are affected			
d-Demonetization		4-importers affected			
	a	b	c	d	
A	2	1	4	3	
B	2	1	3	4	
C	4	3	1	2	
D	4	3	2	1	

Q13) The commercial presence falls under which mode of GATS?

- A. Mode I
- B. Mode II
- C. Mode III
- D. Mode IV

Q14) Under WTO affairs there are majorly three subsidies which are named as Green Box, Blue Box and Amber Box. For agriculture, all domestic support measures considered to distort production and trade (with some exceptions) fall into the

- A. Amber Box
- B. Green Box
- C. Blue Box
- D. All of the above

Q15) The direction of trade is determined by,

- A. Comparative advantage
- B. Absolute advantage
- C. The exchange rates
- D. Both A and B

Q16) Disequilibrium in the Balance of Payment may be short-term or long-term in nature. Short-term disequilibrium arises largely on account of while the long-term disequilibrium arises because of

- A. cyclical factors; structural factors
- B. structural factors; cyclical factors
- C. structural factors; structural factors
- D. cyclical factors; cyclical factors

Q17) Identify, which is not a part of the Annual Financial Statement (Budget).

- A. Consolidated fund
- B. Capital account
- C. Contingency fund
- D. Public Account

Q18) What is the output gap?

- A. The difference between potential GDP and the actual GDP
- B. The difference between real GDP and nominal GDP
- C. The difference between actual GDP and the potential GDP
- D. The net FDI

Q19) What will be the primary deficit, given the revenue receipt=₹ 1533920, total expenditure=₹ 4509986, recovery of loans= ₹ 28729, interest payment= ₹ 579868 and other receipts=₹ 39897?

- A. ₹ 2357562
- B. ₹ 3487308
- C. ₹ 2327572
- D. ₹ 2327527

Q20) Identify which is not a canon of taxation.

- A. Canon of equality
- B. Canon of certainty
- C. Canon of sanction
- D. Canon of convenience

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FIRST SEMESTER 2021-2022

Comprehensive Examinations

Part- B (Closed Book)

Course No. : **ECON F214**

Course Title : **Economic Environment of Business (EEB)**

Date : **19/12/2022**

Time : **09.00 AM-12.00 Noon**

Max. Marks : **30.00**

Duration : **60 minutes**

Weightage : **15%**

Part-B

Each Questions carries 3 mark (10*3=30)

Q1) Inflation increases the profitability of business firms. Therefore, as a business manager, you would decide to expand your participation base in an economy experiencing a hyperinflation scenario. Do you agree with this decision? Give two reasons for your answer.

Q2) The need for designing and implementing industrial policies emerges primarily because of market failure. Explain three major factors of market failure.

Q3) What is the mandate of the IMF? Explain the difference between a stand-by agreement and the extended fund facility of the IMF.

Q4) Given $C = ₹ 20 + 0.80Y_d$, $I = ₹ 50$, $G = ₹ 20$ and $T = ₹ 10$, where $Y_d = Y - T$, Find the equilibrium level of output? Find the consumption at the equilibrium level of output.

Q5) What is Herfindahl-Hirschman Index (HHI)? Compute the HHI based on the given information and analyse whether it is concentrated or not?

Firms	A	B	C	D	E	F	G
Market Share	23	19	16	12	11	10	9

Q6) What is unconventional monetary policy? Explain three important unconventional monetary policy measures undertaken by RBI during the Covid-19 pandemic.

Q7) What is the effective exchange rate? Differentiate between NEER and REER.

Q8) Given the output ₹ 17098542, import ₹ 3751389, and export ₹ 3211521, compute the import penetration ratio, export intensity of output, and import intensity of export.

Q9) Explain the difference between the spot exchange rate, the forward exchange rate, and the hedging.

Q10) What is Central Bank Digital Currency (CBDC)? Differentiate between the wholesale CBDC and the retail CBDC.

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BIRLA INSTITUTE OF TECHNOLOGY & SCIENCE, PILANI
FIRST SEMESTER 2021-2022
Comprehensive Examinations
Part-C (Open Book)

Course No.	: ECON F214	Max. Marks	: 30.00
Course Title	: Economic Environment of Business (EEB)	Duration	: 90 minutes
Date	: 19/12/2022	Weightage	: 15%
Time	: 09.00 AM-12.00 Noon		

Instructions:

1. Part C questions paper carries a total 4 questions
2. Do not simply copy and paste the answer as per the reference book or other materials. Write it in your own words, otherwise it will not be evaluated.
3. All the questions are compulsory

1. Critically examine India's export-led growth strategies over the last three decades. [5M]
2. Differentiate between expansionary and contractionary fiscal policy measures. Derive the expenditure multiplier and tax multiplier. Explain the implications of fiscal policy for business managers. [7M]
3. Why is the understanding of monetary Policy important for business managers? What are the major objectives of quantitative and selective credit control measures of RBI? Given the information compute the following. [10M]
(i) High powered money (ii) Narrow money (iii) M2 (iv) Broad money (v) M4 (vi) money multiplier (vii) velocity of money

Components	₹ (Crores)
Currency with the Public	1950995
Currency in circulation-Notes	2004183
Currency in circulation-Coins	25786
Demand Deposits with Banks: Scheduled Commercial Banks	1189913
Demand Deposits with Banks: Co-operative Banks	112687
Other Deposits with RBI	25073
Time Deposits with Banks: Scheduled Commercial Banks	10626360
Time Deposits with Banks: Co-operative Banks	644667
Post Office Savings Bank Deposits	130185
Total Post Office Deposits	348696
Bankers' Deposits with RBI	515563
GDP Nominal	20074856
GDP Real	18081400

4. Two countries' (A & B) GDP information has been given in two different base periods (2004-05 and 2011-12). Given this information answer the following questions. **[8M]**
- Use the forward splicing method and convert the 2004-05 base period figures into 2011-12 base period.
 - Compute the simple average growth rate and CAGR for these two countries (A & B) for the whole period in 2011-12 base period.
 - Comment on the performance of the GDP growth rate (simple average growth rate) of country A and country B for the whole period in 2011-12 base.

	2008-2009	2009-2010	2010-2011	2011-2012	2011-2012	2012-2013	2013-2014	2014-2015
	Base (2004-05)				Base (2011-12)			
Country (A) (₹ Crores)	1693.3	1824.9	1957.7	2087.9	3669	3681.3	3946.1	4320.6
Country (B) (₹ Crores)	954.1	1011.6	1181.7	1315.6	2351.4	2448.5	2576.5	2674.8