

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

BIRLA INSTITUTE OF TECHNOLOGY & SCIENCE, PILANI
FIRST SEMESTER 2022-23
EEB-Mid-Sem Exam (Closed Book)-Part-A & B

Course No. : **ECON F214** Max. Marks : **60**
Course Title : **Economic Environment of Business (EEB)** Duration : **90 Minutes**
Date : **31/10/2022** Weightage : **30%**
Time : **02.00-03.30 PM**

Instructions:

1. Write the *Name* and *ID Number* clearly in the answer sheet
2. All the Questions are compulsory. Answer to the MCQ Type questions (both for Part-A & Part-B) in the given appropriate box only in terms of Capital Letters as, A, B, C or D, otherwise it will not be evaluated.
3. Answer the questions once only, no rewriting allowed, and will be evaluated.
4. All the questions are compulsory from Part-A, Part B and Part-C. Calculators are allowed. There is no negative marks for incorrect answers.

Question-A	1	2	3	4	5	6	7	8	9	10
Answer										
Question-B	11	12	13	14	15					
Answer										

Part-A

Each Question carries 1 mark (10*1=10)

- Q1) The short-run negative relationship between inflation and unemployment can be reflected in the...
- A. Delphis Curve
 - B. Lilips Curve
 - C. Phillips Curve
 - D. Philt curve
- Q2) Who is the loser → debtors or creditors, in an inflationary situation?
- A. Debtors
 - B. Creditors
 - C. Both
 - D. None
- Q3) What is NNP_{MP} ?
- A. $NNP_{MP} = GDP_{MP} - \text{Depreciation}$
 - B. $NNP_{MP} = GNP_{MP} - \text{Net factor income from abroad}$
 - C. $NNP_{MP} = NNP_{FC} + \text{Net indirect tax}$
 - D. All of the above
- Q4) Economic system defines the, whereas economic structure defines the under which an economy and business unit operates.
- A. Physical framework & institutional framework
 - B. Institutional framework & physical framework
 - C. Physical framework & physical framework
 - D. Institutional framework & institutional framework

- Q5) The percentage change in tax collection caused by a given percentage change in the tax base can be reflected through,
- Tax Elasticity
 - Tax Buoyancy
 - Marginal Tax
 - Average Tax
- Q6) This mild increase in the inflation rate below the full employment level of output is known as.....
- Inflation
 - Reflation
 - Disinflation
 - Deflation
- Q7) The basic difference between socialism and communism lies in the motive behind the two systems. In socialism, each according to his, while, In communism, each according to his
- Deeds & needs
 - needs & Deeds
 - needs & needs
 - deeds & deeds
- Q8) Out of the important monetary policy measures Quantitative control to regulates the of total credit and the Qualitative Control to regulate the of credit.
- Volume, Flow
 - Flow, volume
 - Flow, Flow
 - Volume, Volume
- Q9) Which statement is correct for nominal GDP?
- Nominal GDP is calculated based on current prices.
 - Nominal GDP is calculated based on the base prices.
 - Data on Nominal GDP shows an accurate picture of the economy as compared to real GDP.
- Only ii, iii
 - Only ii
 - Only i
 - Only i, iii
- Q10) On August 5, 2016, the Central Government notified the Official Gazette that..... percent Consumer Price Index (CPI) inflation was the target from August 5, 2016, to March 31, 2021.
- 6
 - 4
 - 4.9
 - 2

Part-B**Each Question carries 2 mark (5*2=10)**

Q11) What will be the Gross fiscal deficit, given the primary deficit ₹ 697111 and interest payments ₹ 809701?

- A. ₹ 1506812
- B. ₹ 112590
- C. ₹ 1506821
- D. ₹ 1682152

Q12) If the CPI is 158 for the year 2000 and 310 in 2022, then ₹ 1550 in 2000 has the same purchasing power as..... has in the year 2022.

- A. 3241.59
- B. 3041.14
- C. 790.00
- D. 3014.14

Q13) Refer to the information provided in Table *i* below to answer the question.

Table-i						
	Production			Prices		
	Year 2019	Year 2020	Year 2021	Year 2019	Year 2020	Year 2021
Good X	50	50	60	1.00	1.20	1.20
Good Y	100	120	140	0.60	0.60	1.00

Assume that this economy produces only two goods Good X and Good Y. The value for this economy's nominal GDP in year 2019 is

- A. ₹ 110
- B. ₹ 101
- C. ₹ 140
- D. ₹ 160

Q14) Given this information for country X, what will be the simple average GDP growth rate (for all years) and the CAGR (2016 & 2020)?

Year	2016	2017	2018	2019	2020
Country-X-Real GDP (₹ Millions)	2720	2865	3255	3142	3394

- A. 5.84 & 5.73
- B. 5.87 & 5.69
- C. 5.48 & 5.37
- D. 5.78 & 5.96

Q15) What will be the Effective revenue deficit, given the tax revenue receipt=₹ 1934771, non-tax revenue receipt=₹269651, revenue expenditure= ₹ 3194663, and the grant in aid for the creation of capital asset=₹ 317643?

- A. ₹ 634589
- B. ₹ 672598
- C. ₹ 627589
- D. ₹ 629589

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Q1) What are economic indicators? How are the indicators classified on the basis of the position of peaks and troughs and on the basis of the direction of the movements of the indicators in a business cycle? How far do growth cycles differ from growth rate cycles? Why do business managers need to understand the various phases of the business cycle? **[12M]**

Q2) The following information (in Table (a)) has been given in terms of current prices. Based on this information compute the followings,

(i) GVA at Basic Price (ii) GDP at Market Price (iii) NDP at Market Price (iv) PFCE % share to total GDP (at current price) (v) Net Export (vi) GNP at Market Price (vii) NNP at Market Price (viii) Gross National Disposable Income (ix) Discrepancies (x) GDP at Market Price (constant-2011-12 Base) **[12M]**

Table (a): Various Components of National Income (₹ Crores)	
<i>Components</i>	<i>₹ (Crores)</i>
Consumption of Fixed Capital	1764812
Other current transfers (net) from ROW	405740
Government Final Consumption Expenditure	1840119
Subsidies on Products	314518
Social Security Payment	75634
Compensation of employee	5275671
Primary income receivable from ROW (net)	-184813
Private Final Consumption Expenditure	10036153
Gross Fixed Capital Formation	4815600
Changes in Stock	237581
Valuables	241685
Exports of goods and services	3211521
Taxes on Products	1898896
National Debt Interest	135678
Production taxes less production subsidies	-39,434
Import of goods and services	3751389
Operating Surplus/Mixed Income	8504617
GDP Deflator (2011-12) Base	129

Q3) What is the difference between core inflation and headline inflation? Differentiate between the inflationary and deflationary gap. What are the implications of inflation for business managers?

Explain the Laspeyres & Paasche price index measures. Given the information below compute the Laspeyres & Paasche price index and interpret the results. **[16M]**

Quantities and Prices in the Consumption Basket				
Commodities	<i>Base period (2020)</i>		<i>Current Period (2022)</i>	
	<i>Price (₹)</i>	<i>Quantity (Kg.)</i>	<i>Price (₹)</i>	<i>Quantity (Kg.)</i>
W	55	20	64	18
X	154	12	192	11
Y	42	20	38	21
Z	755	12	554	14