

BIRLA INSTITUTE OF TECHNOLOGY & SCIENCE, PILANI
FIRST SEMESTER 2023-24
EEB- Mid-Sem Examination (Closed Book)

Course No. : **ECON F214**
 Course Title : **Economic Environment of Business (EEB)**
 Date : **13/10/2023**
 Time : **02.00-03.30 PM**

Max. Marks : **60**
 Duration : **90 Minutes**
 Weightage : **30%**

Instructions:

- All the questions are compulsory. All parts of the questions should be answered sequentially and together.
- Write the *Name* and *ID Number* clearly in the answer sheet.
- Overwritten/ambiguous answers will not be evaluated.
- Calculators are allowed. However, the exchange of calculators is not permitted.
- Show all the necessary calculations wherever required. While calculating, use two points after decimal without rounding off.

Q1)

- a) Define the concept of the business environment. Explain how the economic structure is different from the economic system. What are the needs and various steps for environmental analysis?
- b) Analyze the notion of the Ease of Doing Business Index.

[1+2+5+2=10M]

Q2)

- a) Inflation, in a broad sense, can potentially enhance the profitability of business enterprises. Therefore, as a business investor, you decide to expand your production base in an economy experiencing a hyperinflation scenario. Do you agree with this decision and substantiate your answer with proper justifications?
- b) What is the tolerance limit for inflation set out by the RBI for India?
- c) Explain the difference between CPI and WPI inflation measures and analyse why there is a difference in inflation measurement in India.
- d) What is the Phillips curve?
- e) Given the information below (Table 2.1), compute the Laspeyres and Paasche index and interpret the results.

[2+2+4+2+5=15M]

Table 2.1: Quantities and Prices in the Consumption Basket during 2011-12 & 2022-23				
Commodities	Base period (2011-12)		Current Period (2022-23)	
	Price (₹)	Quantity (Kg.)	Price (₹)	Quantity (Kg.)
A	61	21	99	15
B	144	14	199	11
C	71	18	105	24
D	207	12	255	16
E	199	19	223	22

Q3)

- a) Define the concept of output gap. Distinguish between reflation and disinflation in a business cycle.
- b) How would you differentiate depression from recession?
- c) Critically examine how the growth cycle differs from the growth rate cycle.
- d) In a business cycle, how are the economic indicators classified, observing the direction of the movement?

[6+2+4+3=15M]

Q4)

- a) Define the concept of implicit price deflator. Critically analyze why business managers need to understand the changing structure of an economy, which is reflected in the changing share of different sectors in the total GDP. [3M]

Various components of the national income for a country have been presented in terms of current/nominal price in Table 4.1.

Table 4.1: Various Components of National Income (₹ Crores)			
<i>Components</i>	<i>₹ (Crores)</i>	<i>Components</i>	<i>₹ (Crores)</i>
Valuables	209	Private Final Consumption Expenditure	7247
Other current transfers (net) from ROW	405	Population (crores)	15.3
Government Final Consumption Expenditure	1302	Changes in Stock	313
Subsidies on Products	328	Consumption of Fixed Capital	1342
Disinvestment	549	Exports of goods	1896
Compensation of employee	3846	Taxes on Products	1292
Primary income receivable from ROW (net)	-147	Portfolio investment	335
Real estate, ownership	638	Production taxes less production subsidies	-27
Export of services	967	National Debt Interest	2678
Gross Output	24449	Operating Surplus/Mixed Income	6344
Import of Good	2737	GDP Deflator (2011-12) Base	145
Gross Fixed Capital Formation	3750	Import of Services	499

- b) Based on this information (in Table 4.1), compute the following,

[2+2+3+2+2+2+2+2=17M]

- (i) GVA at basic price
- (ii) NDP at market price
- (iii) GDP in expenditure method
- (iv) NNP at Market Price
- (v) Net National Disposable Income
- (vi) Intermediate consumption
- (vii) GDP at Market Price (constant-2011-12 Base)
- (viii) Per capita GDP (both nominal and real price)

[Note: Mere writing the answers is not enough, need to present the detailed calculations]

*****All the Best*****