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**J 1803**

M.B.A. DEGREE EXAMINATION, FEBRUARY 2008.

First Semester

DBA 1603 — ECONOMIC FOUNDATION OF BUSINESS ENVIRONMENT

(Regulation 2007)

Time : Three hours

Maximum : 100 marks

Answer ALL the questions.

PART A — (10 × 2 = 20 marks)

1. What are the components of a country's Balance of Payment on current account?
2. Differentiate GNP from GDP.
3. State any two differences between WPI and CPI method of computing inflation.
4. Name the Fiscal Instruments that are used for the Fiscal Policy Implementation.
5. What is "Liquidity Trap"?
6. What is monetary policy?
7. Define Structural Unemployment.
8. What is Cost-Push Inflation?
9. When trade is said to be balanced?
10. What is the significance of trade policy?

PART B — (5 × 16 = 80 marks)

11. (a) Illustrate graphically the Circular flow of Income and Expenditure in a four sector model. How is income determined in such a four sector model? Explain.

Or

- (b) (i) State in case of each of the following items whether they are included in GNP, NNP and personal Income
- Depreciation – Old age pensions
  - Unemployment allowance – social security payments
  - Excise revenue – States Sales tax revenue
  - Salary of the government officials – Capital gains.
- (ii) Discuss briefly the methods used for computing National Income.

12. (a) Briefly comment on the performance of Indian Economy based on the prevailing economic indicators.

Or

- (b) Describe the relationship between fiscal instruments and Target variables of fiscal policy.

13. (a) How is Monetary Policy used for economic growth in India?

Or

- (b) Write short notes on
- (i) Deposit creation.
  - (ii) Measures of Money Supply.
  - (iii) Determinants of Money Multiplier.
  - (iv) Precautionary Vs Speculative Demand for Money.

14. (a) What is Philips Curve? Explain the trade-off between inflation and unemployment.

Or

- (b) "53%" percent of employed youth suffers some degree of skill deprivation while only 8% of youth are unemployed "says India Labour Report prepared by one of India's largest staffing company, Team Lease Services. Comment on this statement. Briefly discuss the policy initiatives of GOI on this social cum economic issue.

15. (a) Write short notes on
- (i) Balance of Trade.
  - (ii) Causes of BOP disequilibrium.
  - (iii) Expenditure Reform.
  - (iv) Money market equilibrium.

Or

- (b) Explain the relationship among saving, Investment and net capital Outflow.