

Z 7343

M.B.A. DEGREE EXAMINATION, AUGUST 2007.

First Semester

DBA 1603 — ECONOMIC FOUNDATIONS OF BUSINESS ENVIRONMENT

(Regulation 2007)

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. Explain why an economy's income must equal its expenditure.
2. What is Investment? How is it related to national saving?
3. Why is frictional unemployment inevitable?
4. What is fiat money?
5. What are the costs of inflation?
6. Define net exports.
7. What is capital flight?
8. Why aggregate demand curve is sloping downward?
9. What are the objectives of Monetary Policy?
10. What are the objectives of Tenth Five Year Plan?

PART B — (5 × 16 = 80 marks)

11. (a) State the major elements of the economic environment of business, and examine the interaction between economic and non-economic environment. (6 + 10 = 16)

Or

- (b) (i) List four components of GDP. Give an example of each. (8)
(ii) Describe the various methods of measuring national income. (8)
12. (a) Define Multiplier. What determines the Multiplier? Why is the multiplier smaller in less developed countries compared to that in developed countries? (2 + 4 + 10 = 16)

Or

- (b) Describe briefly the main functions of Monetary and fiscal policies. Which of the two policies is more effective in controlling trade cycles in a developing economy? Explain. (8 + 8 = 16)
13. (a) Describe the instruments of Monetary Policy. How do they work? What are their limitations? (8 + 4 + 4 = 16)

Or

- (b) (i) Briefly describe the role of fiscal policy in the economic growth. (6)
(ii) How do the indirect taxes affect the private business? Explain with examples from India. (4 + 6 = 10)
14. (a) How would you derive the IS curve and the LM curve. Show equilibrium conditions in the goods and Money Markets with the help IS – LM Curve. (5 + 5 + 6 = 16)

Or

- (b) (i) What is the trend in inflation since 1990? (8)
(ii) What are the major steps taken by the Government to control inflation? (8)
15. (a) What is the rationale behind the liberalisation of industrial policy in India? What would be its likely impact on saving, investment, and employment? (6 + 10 = 16)

Or

- (b) Outline the changing pattern of India's foreign trade with reference to
(i) value (5)
(ii) composition and (5)
(iii) direction of trade? (6)