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2C00453/ S.Y.B.Com.(ACCOUNTING & FINANCE) (CBCGSS)–(R-2016-17) SEMESTER-III
Subject: 79808/Business Economics-II

Date:

[75 Marks]

- Note: (i) The synoptic answers given below are guidelines provided so as to maintain Uniformity and consistency in assessment of answers.
(ii) Due credit should be given to candidates who provide neat clear diagrams and Explanations.

Q.1

- (a) Explain the concept of circular flow of income and expenditure in a two sector economy. 15 marks
Introduction, Assumptions, Circular Flow without saving, Fig. explanations, With saving and investment, Fig. explanations.
(b) Discuss the various concepts of national income.
Introduction, GDP, NDP, GNP, NNP, PCI, PI. With equations and explanations.
(c) Discuss the leakages in working of multiplier.
Concept, Paying off debts, Holding of idle cash balances, Imports, Taxation, Increase in prices, Purchase of old stocks and securities.

Q.2

- (a) Discuss the Cambridge Cash Balance Approach. 15 marks
Introduction, Transaction, Store of value, Certain proportion of the country's real national income, equations:- $M_d = kPY$, $M_s = M$, $M_s = M_d$, explanations.
(b) Explain the effects of inflation.
Introduction, Decline value of money, Effects:- Investment and production, Real income, Employment, Income distribution, Farmers, Fixed income group, Debtors and creditors, social and political disturbances.
(c) Explain the instruments of monetary policy.
Introduction, A) Quantitative:- Bank rate, CRR, SLR, OMO, Repo Rate, Reverse Repo Rate. B) Qualitative:- Margin requirement, Consumer credit regulation, Directives, Moral suasion, Rationing of credit, Direct action.

Q.3

- (a) Discuss the objectives of fiscal policy. 15 marks
Introduction, Mobilisation of resources to increase the rate of capital formation, Acceleration of economic growth, Balanced growth, Provision of economic and social overheads, Increasing employment opportunities, Reduction of inequalities of income and wealth, Price stability. Economic stabilisation.
(b) Explain the significance of public expenditure.
Introduction, Current Scenario, Pension, Health insurance and medical benefit, Disability benefit, Maternity benefit.
(c) Explain the burden of internal debt.
Introduction, Transfer from the poor to the rich, Transfer from the younger to old generation, Active to passive, War financing, Reduced ability and desire to work, save, and invest, Inflation, Increase inequality, Unproductive debt, Reduce private investment.

2

Q.4

- (a) Explain Ricardian theory of comparative cost.
Introduction, Assumptions, Table, Fig. Explanations.
- (b) Discuss the arguments for protection.
Introduction, The infant industry, Large trade and current account deficits, The employment, The national security, Protection against dumping, The unfair competition, Terms of trade for commodities, Lower real wages.
- (c) Explain the advantages of fixed exchange rate.
Introduction, Promotes international trade and investments, Macroeconomic policies, Promotional international cooperation, Promotes domestic stability, No need for frequent changes, Avoids destabilising speculation.

15 marks

Q5.A Explain in briefly.

- (i) Consumption function (ii) Closed economy
(ii) Inflation (iv) External debt
(v) Tariff (vi) Balance of payments.

(2 X 4 = 8)

Q5.B

Multiple Choice Question

- 1 b) Makros
2 a) Recurrent
3 a) Classical economists
4 a) Decrease
5 b) 2003
6 b) External
7 b) Government
8 c) Ricardo
9 a) Cheaper exports
10 b) More stable

(1 X 7 = 7)