

Note: All questions are compulsory.
All questions carry equal marks.
Figures to the right indicate full marks.
Use of simple calculator is allowed.

Q.1. Attempt Any Two (7.5 Marks Each)

(15 Marks)

- Explain the meaning of term 'Circular flow of Income'.
- Calculate APC, APS, MPC and MPS from the following data.

Income (Rs. Crores)	1000	2000	4000	8000	16000
Consumption (Rs. Crores)	900	1700	2500	6000	10000

- Explain the term 'Business Cycle'. And write a note on 'Peak' phase.

Q.2. Attempt Any Two (7.5 Marks Each)

(15 Marks)

- Discuss the comparative cost advantage theory of David Ricardo.
- Explain various types of disequilibrium in BOP.
- What are the difference between exchange rate depreciation and devaluation? Explain how they are used to correct disequilibrium.

Q.3. Attempt Any Two (7.5 Marks Each)

(15 Marks)

- Explain the impact of Fiscal Policy on Business?
- Explain the quantitative instruments of Monetary Policy?
- Explain the IS-LM model in detail?

Q.4. Attempt Any Two (7.5 Marks Each)

(15 Marks)

- What is the meaning of Foreign Exchange Market
- Write a note on WTO & Developing Countries.
- Explain the flexible exchange rate system and its merits.

Q.5. Case Study (15 Marks) (5 Marks Each)

The curious case of vegetable price inflation

The most striking number in the latest inflation figures was the rise in vegetable prices. Prices of vegetables rose 16.9% from a year ago in July. Not only is this shock worse than during the onion crisis in 2013-14 and the drought year of 2009-10, it is understated. The problem with rising vegetable prices isn't exactly new. While vegetable and fruit production increased at an annual average rate of 4.5% since the beginning of this century, their prices have risen at 7.8% (see chart). The intuitive explanation of this would be the rise in demand. But as consumption data from the National Sample Survey Office (NSSO) shows, it doesn't wholly explain the rise in food prices. Real monthly per capita expenditure on fruit and vegetables has declined from `16.34 in 1993-94 to `15.55 in 2001-12, a study by Santhanu R. Nair from the Indian Institute of Management Kozhikode shows. "A secular shift in the consumption pattern in recent years was observed only in the case of milk, egg, fish and meat," he observed. One caveat here: NSSO data measures only household consumption. Thus, data of other

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consumption sources such as hotels and the catering industry is not included. Leaving that aside for the moment, what else could explain this rise in vegetable prices? One reason could be the huge wastage in this perishable category. Approximately 18% of the country's fruits and vegetables production goes waste every year because there isn't enough cold storage facilities, according to the Central Institute of Post Harvest Engineering and Technology. This is higher than the wastage of any other food product in the country. A second reason is the push from cost factors. Real farm wages, for instance, have increased over the past decade. Other production costs such as those of fertilizer and irrigation too have risen. "Vegetables being a labor-intensive category, rise in farm wages have significantly impacted prices of vegetables," said Ashok Gulati, chair professor for agriculture at the Indian Council for Research on International Economic Relations. A third factor, which is clearly evident in the case of the onion shock of December 2010, is collusion among traders and middlemen. As a study by Institute for Social and Economic Change pointed out then, seasonal fluctuations could not fully explain the price volatility in onions. Rising arrivals of onions at wholesale markets were often accompanied by rising prices, implying cartelization.

Year	WPI	Production
1991-92 to 1999-2000	6.213521	5.0957035
2000-01 to 2013-14	7.825862	4.5210321

- What do you understand by inflation?
- What type of inflation is discussed in this case? And major cause for the same.
- What steps the government should take to bring the down the food inflation.

— The End —