VCD 13/02/17 SYBMS M.ECO (II) SEM III NEW ATKT EXAM 75MARKS 2 ½ HRS (75)

Note:

1. All Questions Are Compulsory
2. All Questions Carry Equal Marks
3. Figures to the right indicate full marks
4. Use of simple calculator is allowed

Q.1. Attempt Any Two (7.5 Marks Each) (15 Marks)

a) Explain the meaning of term 'Circular flow of Income'?

b) Calculate APC,APS,MPC and MPS from the following data.

Income (Rs. Crores)	1000	2000	3000	4000	5000
Consumption (Rs. Crores)	800	1600	2400	3200	4000

c) What us velocity of circulation of Money and explain the determinants of velocity of Circulation of Money?

Q.2. Attempt Any Two (7.5 Marks Each) (15 Marks)

a) Discuss the comparative cost advantage theory of David Ricardo.

b) Explain difference between Domestic and International Trade?

c) Describe the causes of disequilibrium in Balance Of Payments?

Q.3. Attempt Any Two (7.5 Marks Each) (15 Marks)

a) Explain the impact of Fiscal Policy on business?

b) Explain the meaning & objectives of Monetary Policy?

c) What is an economic system? Explain how the fundamental economic problems are dealt with in different economic system?

Q.4. Attempt Any Two (7.5 Marks Each) (15 Marks)

a) Explain the purposes and lending principles of the World Bank.

b) Explain the determination of equilibrium exchange rate.

c) What are the objectives of the WTO?

Q.5. Solve the following Case Study (15 Marks) (5 Marks Each)

The Euro zone Crisis

The euro – zone (a currency union of 28 European countries) has been going through a major crisis that started with Greece but spread rapidly to Ireland, Portugal, Spain and subsequently Italy. It started off by fear over the sovereign debt crisis in Greece, and went on to impact the peripheral economies as well, especially those with over –leveraged financial institutions. These economies (especially Greece) have witnessed downgrades in the ratings of their sovereign debt crisis has made it very difficult for some of these countries to re-finance government debt. The banking sector in these countries was also adversely affected.

In the aftermath of the global financial crisis in 2008, sovereign debt levels started to increase . The revelation that the fiscal deficit in Greece was much higher that stated earlier set off serious concerns in early 2010 about the sustainability of the debt. The downgrade of ratings led to a spiral of rising bond yields and further downgrades of government debt of other peripheral euro-zone economies as well that had high public debt or a buildup of bank lending or both.

Difficulties in Resolving the Crisis :

The crisis has been difficult to resolve due to the following specific factors:

a) The euro zone lacks a single fiscal authority capable of strict enforcement.
b) Economies with different levels of competitiveness (and fiscal positions) have a single currency.
c) These economies cannot adjust through a depreciation of the currency.
d) There is no lender of last resort, i.e a full – fledged central bank.

The Euro zone and India: The euro – zone, though distinct from the European Union (EU) is a major subset the EU. The euro-zone and EU account for about 19and 25 percent respectively of global GDP. The EU is major trade partner for India accounting for about 20 percent of India's exports and is an important source foreign direct investment (FDI). The IMF has forecast that the euro-zone is likely to go through a recession in 2012. A slowdown in the euro-zone is likely to impact the EU and the world economy as well India.

Questions :

a) Explain the Euro-zone crisis.
b) Give evidence to the impact of the crisis on India in the year 2012-13.
c) Explain the implications of difficulties faced in resolving the crisis.