

SHRIMATHI DEVKUNVAR NANALAL BHATT VAISHNAV COLLEGE FOR WOMEN  
(AUTONOMOUS)

(Affiliated to the University of Madras and Re-accredited with 'A+' Grade by NAAC)  
Chromepet, Chennai - 600 044.

B.Com. PA - END SEMESTER EXAMINATIONS - APRIL 2025  
SEMESTER - II

**24UPACT2006 - Economics for Finance**

Total Duration : 2 Hrs.30 Mins.

Total Marks : 60

### Section B

Answer any **TWENTY** questions (20 × 2 = 40 Marks)

1. Which of the following does not enter into the calculation of national income:
  - (a) Exchange of previously produced goods
  - (b) Exchange of second-hand goods
  - (c) Exchange of stocks and bonds
  - (d) All of the above
2. Demand for money is
  - (a) Derived Demand
  - (b) Direct Demand
  - (c) Real income Demand
  - (d) Inverse Demand
3. Ricardo explained the law of comparative advantage on the basis of:
  - (a) Opportunity costs
  - (b) The law of diminishing returns
  - (c) Economies of scale
  - (d) The labour theory of value
4. FAME-India scheme aims to:
  - (a) Enhance faster industrialization through private participation
  - (b) To promote manufacturing of electric and hybrid vehicle technology
  - (c) To spread India's fame among its trading partners
  - (d) None of the above
5. Fiscal policy refers to the
  - (a) Use of government spending, taxation and borrowing to influence the level of economic activity
  - (b) Government activities related to use of government spending for supply of essential goods
  - (c) Use of government spending, taxation and borrowing for reducing the fiscal deficits
  - (d) (a) & (b) above
6. Who considered demand for money is as an application of a more general theory of demand for capital assets:
  - (a) Baumal
  - (b) James Tobin
  - (c) J M Keynes
  - (d) Milton Friedman
7. A tax applied as a percentage of the value of an imported goods is known as:
  - (a) Preferential tariff
  - (b) Ad valorem tariff
  - (c) Specific tariff
  - (d) Mixed or compound tariff

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8. Which of the following is not a policy reform included in the new economic policy of 1991:
  - (a) Removing licensing requirements for all industries
  - (b) Foreign investment was liberalized
  - (c) Liberalization of international trade
  - (d) The disinvestment of government holdings of equity share capital of public sector enterprises
9. Gross National Product at market prices GNPMP is
  - (a)  $GDP_{MP} + \text{Net factor income from Abroad}$
  - (b)  $GDP_{MP} - \text{Net factor income from Abroad}$
  - (c)  $GDP_{MP} - \text{Depreciation}$
  - (d)  $GDP_{MP} + \text{Net Indirect Taxes}$
10. Budget of the government generally impacts
  - (a) The resource allocation in the economy
  - (b) Redistribution of income and enhance equity
  - (c) Stability in the economy by measures to control price fluctuations
  - (d) All of the above
11. For a given level of monetary base, an increase in the required reserve ratio will denote:
  - (a) A decrease in the money supply
  - (b) An increase in the money supply
  - (c) An increase in demand deposits
  - (d) Nothing precise can be said
12. The 'Hindu growth rate' is a term used to refer to:
  - (a) The high rate of growth achieved after the new economic policy of 1991
  - (b) The low rate of economic growth of India from the 1950s to the 1980s, which averaged around 3.5% per year
  - (c) The low rate of the economy during British period marked by an average of 3.5%
  - (d) The growth rate of the country because India is referred to as 'Hindustan'
13. The basis of distinction between market price and factor cost is
  - (a) Net factor income from abroad
  - (b) Net indirect taxes (i.e., Indirect taxes – Subsidies)
  - (c) Net indirect taxes (i.e., Indirect taxes + Subsidies)
  - (d) Depreciation (consumption of fixed capital)
14. Reverse Repo operation takes place when
  - (a) RBI borrows money from banks by giving them securities
  - (b) Banks borrow money from RBI by giving them securities
  - (c) Banks borrow money in the overnight segment of the money market
  - (d) RBI borrows money from the central government
15. Which of the following is not a non-tariff barrier
  - (a) Complex documentation requirements
  - (b) Import quotas on specific goods
  - (c) Countervailing duties charged by importing country
  - (d) Pre-shipment product inspection and certification requirements
16. The strategy of agricultural development in India before green revolution was:
  - (a) High yielding varieties of seeds and chemical fertilizers to boost productivity
  - (b) Institutional reforms such as land reforms
  - (c) Technological up gradation of agriculture
  - (d) All of the above

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17. A government subsidy
- (a) Is a market based policy
  - (b) Involves the government paying part of the cost to the firms in order to promote the production of goods having positive externalities
  - (c) Is generally provided for merit goods
  - (d) All of the above
18. An open market operation is an instrument of monetary policy which involves buying or selling of \_\_\_\_\_ from or to the public and banks
- (a) Bonds and Bills of exchange
  - (b) Debentures and shares
  - (c) Government securities
  - (d) None of these
19. An increase in the supply of foreign exchange
- (a) Shifts the supply curve to the right and as a consequence, the exchange rate declines
  - (b) Shifts the supply curve to the right and as a consequence, the exchange rate increases
  - (c) More units of domestic currency are required to buy a unit of foreign exchange
  - (d) The domestic currency depreciates and the foreign currency appreciates
20. If the consumption function is  $C = 20 + 0.5Y_d$ , then an increase in disposable income by Rs.100 will result in an increase in consumer expenditure by ₹
- (a) 25
  - (b) 70
  - (c) 50
  - (d) 100
21. Government failure occurs when:
- (a) Government fails to implement its election promises on policies
  - (b) A government is unable to get re-elected
  - (c) Government intervention is ineffective and produces fresh and more serious problems
  - (d) None of the above
22. The marginal propensity to consume (MPC) can be defined as
- (a) A change in spending due to a change in income
  - (b) A change in income that is saved after consumption
  - (c) Part of income that is spent on consumption
  - (d) Part of income that is not saved
23. Reserve money is composed of \_\_\_\_\_
- (a) Currency in circulation + demand deposits of banks ( current and saving accounts) + other deposits with the RBI
  - (b) Currency in circulation + Bankers' deposits with the RBI + other deposits with the RBI
  - (c) Currency in circulation + demand deposits of banks + other deposits with the RBI
  - (d) Currency in circulation + demand and time deposits of banks + other deposits with the RBI
24. The justification for government intervention is best described by:
- (a) The need to prevent recession and inflation in the economy
  - (b) The need to modify the outcomes of private market actions
  - (c) The need to bring in justice in distribution of income and wealth
  - (d) All of the above
25. The most controversial topic in the yet to conclude Doha Agenda is:
- (a) Trade in manufactured goods
  - (b) Trade in intellectual property rights-based goods
  - (c) Trade in agricultural goods
  - (d) Market access to goods from developed countries

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### Section C

Answer any **FOUR** questions ( $4 \times 5 = 20$  Marks)

26. From the following data, calculate  $NNP^{FC}$ ,  $NNP^{MP}$ ,  $GNP^{MP}$  and  $GDP^{MP}$

Items	₹in Crores
Operating surplus	2,000
Mixed-income of self-employed	1,100
Rent	550
Profit	800
Net indirect tax	450
Consumption of fixed capital	400
Net factor income from abroad	-50
Compensation of employees	1,000

27. Mention types of Fiscal Policy.

28. What are the definitions of Money Supply denoted by M1, M2, M3, and M4?

29. Differentiate between FPI and FDI.

30. An economy is characterized by the following equation-

Items	₹Amount
Consumption ( C )	$60 + 0.9Y_d$
Investment ( I )	10
Government expenditure ( G )	10
Tax ( T )	0
Exports ( X )	20
Imports ( M )	$10 + 0.05Y$

31. Calculate the aggregate value of depreciation when the GDP at market price of a country in a particular year was ₹1,100 crores. Net Factor Income from Abroad was ₹100 crores. The value of indirect taxes – Subsidies was ₹150 crores and the National Income was ₹850 crores.

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