

# School of Law

Bachelor of Law  
ETE - Jun 2023

Time : 3 Hours

Marks : 100

## Sem II - K1UB221T / BLA01002/BLA02002

### Economics-II

*Your answer should be specific to the question asked*

*Draw neat labeled diagrams wherever necessary*

1. Explain the main components of GDP using the Income Method. K1 CO1 (5)
2. Consider how each of the following events is likely to affect real GDP. Do you think the change in real GDP reflects a similar change in economic well-being? K2 CO1 (5)
  - a. Government passes new environmental laws that prohibit firms from using production methods that emit large quantities of pollution.
  - b. More high-school students drop out of school to take jobs mowing lawn
3. Explain the meaning and impact of transfer payments have on national income accounting. K1 CO1 (5)
4. Analyze the consequences of a persistent capital account deficit on a country's economic stability. K4 CO4 (10)

### OR

- Discuss the tools and strategies available to a central bank to conduct monetary policy and manage the money supply. K4 CO5 (10)
5. Explain how the inflation affects different sectors of the economy, such as housing, healthcare, and transportation? K3 CO2 (10)
  6. Explain the following: K2 CO1 (10)
    - a. How would a sudden decrease in consumer spending due to a major economic recession impact GDP?
    - b. How would a substantial increase in foreign investment in a country's manufacturing sector impact GDP?
  7. Analyze the trade-off between inflation and unemployment as depicted by the Phillips curve. K3 CO2 (10)
  8. Suppose the level of autonomous investment in an economy is 200 crores. The following saving function is given :  $S = - 80 + 0.25 Y$  Find the equilibrium level of income. K5 CO4 (15)

### OR

- Given the saving function  $S = - 10 + 0.2y$  and autonomous investment,  $I = \text{Rs } 5 \text{ crore}$ . K5 CO4 (15)
- (i) Find the equilibrium level of income.
  - (ii) Find the level of consumption.
  - (iii) If investment increases permanently by Rs 5 crores, what will be the new levels of income and consumption ?
9. In what respects do the Classical and Keynesian theories of employment differ ? Spell out the reasons for underemployment equilibrium in the Keynesian model. K5 CO3 (15)
  10. Calculate gross domestic product at market prices (GDPMP), gross domestic product at factor cost (GDPFC) and net national product at factor cost (NNPFC) from the following data: ( Rs in Crore) K4 CO2 (15)
    - (i) Private final consumption expenditure Rs 290
    - (ii) Government's final consumption expenditure Rs50
    - (iii) Subsidies Rs20
    - (iv) Gross domestic fixed capital formation Rs 105
    - (v) Indirect taxes Rs 70
    - (vi) Depreciation (i.e., Consumption of Fixed Capital) Rs 45
    - (vii) Net factor income from abroad (-) Rs 5
    - (viii) Net addition to stock Rs15
    - (ix) Net exports (-) Rs 5