

ECON 1006	<b>Business Economics-II</b>	L	T	P	C
<b>Version 1.0</b>		3	0	0	3
<b>Pre-requisites/Exposure</b>	Business Economics-I				
<b>Co-requisites</b>					

### Course Objectives

1. To provide the students with an introduction to the basic macroeconomic principles.
2. To enable students to appreciate the working of real and money markets.
3. To emphasize the role of macroeconomic policies that affect internal and external deficits, inflation and growth of per capita income.
4. To understand the role of International trade on economic growth.
5. To analyse economic policies and their implication for economy.

### Course Outcomes

On completion of this course, the students will be able to

- CO1. To learn various macroeconomic variables and their measurement.
- CO2. To understand circular flow of Income and their linkage with macro economy.
- CO3. To analyse unemployment and Inflation and relevance with macro economy.
- CO4. To apply various economic policies in analysing the business environment.
- CO5. To analyse balance of payments and their implication for the macro economy.

### Catalog Description

Macroeconomics outlines the understanding of Economic Activities in any Economy. Understanding of National Income Accounting, Consumption and Investment, Inflation and Unemployment, International Trade and Liberalization, Privatization, Globalization is very crucial for understanding the business environment of any economy. Students will learn how to use macroeconomic variables in analyzing economic profile of a country. Classroom activities will be designed to encourage students to have a clear understanding of circular flow of Income. We will combine traditional lectures with other active teaching methodologies, such as group discussions and cooperative group solving problems.. Class participation is a fundamental aspect of this course. Students will be encouraged to actively take part in all group activities and to give an oral group presentation. Students will be expected to interact with media resources, such as, web sites, videos, Economic Survey, and newspapers etc.

### Course Content

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#### Unit I:

**4 Hours**

#### Introduction to Macroeconomics

Meaning, Nature & Scope and importance of Macro Economics, Interdependence between Microeconomics & Macroeconomics , Meaning and interdependence of production, consumption & investment

**Unit II: 4 Hours**

**Measuring National Output and National Income**

Structure of Macro Economy, Different sectors of the economy, Circular Flow of Income & Product, Leakages & Injections in the Circular Flow, Concepts relating to National Income Related Aggregates.

Methods of calculation of National Income Output method, Methods of calculation of National Income method, Methods of calculation of National Income-expenditure method, precautions in estimating national income by various methods. Difficulties in estimation of national income

**Unit III: 4 Hours**

**Consumption and Investment**

Components of Consumption, Determinants of Consumption, Consumption function, components of Investment, Determinants of Investment, and Investment function

**Unit IV:**

**Unemployment and Inflation 6 Hours**

Types and causes of unemployment, Measures to solve unemployment problem, Inflation Meaning and types, Explanation of Inflation- demand pull inflation & cost push inflation, Effects of Inflation on distribution of income & wealth and on output & growth, Methods to control Inflation.

**Unit V:**

**International Trade, Comparative Advantage, and Protectionism 6 Hours**

International Trade, Reasons for International Trade, Absolute cost theory, Comparative cost theory, Free Trade versus Protection, Cases for protection, Benefits of FDI.

**Unit VI:**

**The Balance of Payments and Exchange Rates 6 Hours**

Balance of Payments, Meaning and Components, Difference between BOP & BOT, Causes of disequilibrium in BOP Measures to correct disequilibrium in BOP, Meaning of Foreign Exchange Rate, Types of Exchange Rate- Fixed & Flexible Exchange Rate System, and Purchasing Power Parity Theory

**Unit VII:**

**Globalization. Long-Run and Short-Run Concerns: Economic Growth, Productivity 4 Hours**

Globalization, Long-Run and Short-Run Concerns: Economic Growth, Productivity, New Economic Policy, Privatization, Liberalization, Globalization, Economic Growth &

Development, Meaning of Economic Growth Meaning of Economic Development , New view-HDI, Features of underdeveloped economies, Factors determining economic growth, Harrod-Domar Growth Equation, Obstacles to Economic Development , Imbalance between capital & population

**Unit VIII:**

**Evolution, Functions and Role of WTO**

**2 Hours**

Evolution, Functions and Role of WTO

**Text Book**

1. Mankiw, N. G., (2008). *Principle of Macroeconomics* (6<sup>th</sup> ed.). New Delhi: Cengage India Publishers.
2. Gupta, G.S., *Macroeconomics: Theory and Applications*, (4<sup>th</sup> ed.). New Delhi: McGraw Hill Education (India) Private Limited.

**Reference Books**

1. Blanchard, O., & Johnson, D. (2017). *Macroeconomics* (6th ed.). New Delhi: Pearson Education.
2. Samuelson, P. A. 1., & Nordhaus, W. D. (2005). *Macroeconomics* (18th ed.). Boston, MA: McGraw-Hill/Irwin

**Modes of Evaluation: Quiz/Assignment/ presentation/ extempore/ Written Examination Examination Scheme:**

<b>Components</b>	<b>MSE</b>	<b>IA</b>	<b>ESE</b>
<b>Weightage (%)</b>	<b>20</b>	<b>30</b>	<b>50</b>
		<ul style="list-style-type: none"> <li>• Case Presentation (30 Marks)</li> <li>• Online Assignments (40 Marks)</li> <li>• Quiz (30 Marks)</li> </ul>	

**Relationship between the Course Outcomes (COs) and Program Outcomes (POs)**

<b>Mapping between COs and POs</b>
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	<b>Course Outcomes (COs)</b>	<b>Mapped Programme Outcomes</b>
<b>CO1</b>	To learn various macroeconomic variables and their measurement.	<b>PO 1, 2, 4, 8,9,12</b>
<b>CO2</b>	To understand circular flow of Income and their linkage with macro economy.	<b>PO 2,3,4,8,7,8</b>
<b>CO3</b>	To analyse unemployment and Inflation and relevance with macro economy.	<b>PO 3,4,6,8, 9, 12</b>
<b>CO4</b>	To apply various economic policies in analysing the business environment.	<b>PO 4,5,6,7,9,10,11</b>
<b>CO 5</b>	To analyse balance of payments and their implication for the macro economy	<b>PO 1,2,5,6,7,8,10</b>

**Program Outcome / Course Outcome mapping**

<b>Course Outcomes</b>	<b>CO 1</b>	<b>CO 2</b>	<b>CO 3</b>	<b>CO 4</b>	<b>CO 5</b>
<b>PO 1</b>	3	3	3	2	1
<b>PO 2</b>	3	3	3	2	2
<b>PO 3</b>	3	3	3	2	2
<b>PO 4</b>	3	1	1	3	1
<b>PO 5</b>	2	2	1	3	1
<b>PO 6</b>	2	2	2	2	1
<b>PO 7</b>	3	3	1	2	2
<b>PO 8</b>	3	3	3	3	2
<b>PSO 9</b>	3	3	3	1	2
<b>PSO 10</b>	3	3	3	2	1
<b>PSO 11</b>	3	3	3	2	2
<b>PSO 12</b>	1	1	1	3	2


		Students will demonstrate strong conceptual knowledge of management & its functional areas.	Students will demonstrate effective oral and written communication skills in the professional context.	Students will be able to work effectively in teams and demonstrate team-building capabilities.	Students will be able to evaluate the legal, social and economic environments of business.	Students will be able to describe the global environment of business.	Students will demonstrate sensitivity towards ethical and moral issues and have ability to address them in the course of business.	Students will be able to apply decision-support tools to business decision making.	Students will be able to apply knowledge of business concepts and functions in an integrated manner.	Students will demonstrate conceptual domain knowledge of the logistics sector.	Students will apply decision-support tools to decision making in logistics sector.	Students will apply conceptual knowledge of logistics sector in an integrated manner.	Students will demonstrate employable and deployable skills for appropriate roles in management.
ECO N 1006	Businesss Economic s ll	PO 1	PO 2	PO 3	PO 4	PO 5	PO 6	PO 7	PO 8	PSO 9	PSO 10	PSO 11	PSO1 2
		3	3	3	2	2	2	2	3	2	3	3	2

**1 – Weakly mapped**

**2 – Moderately mapped**

**3 – Strongly mapped**

## Model Question Paper

<b>Name:</b>  <b>Enrolment No:</b>			
<b>Course: ECON1006 – Business Economics-II</b>			
<b>Programme: BBA (Logistic Management)</b> <b>Time: 03 hrs.</b>		<b>Semester: I</b> <b>Max. Marks:100</b>	
<b>Instructions:</b> <b>Section A</b> is compulsory (each carrying 2 marks); any <b>Four Questions</b> from <b>Section B</b> (each carrying 5 marks). Any <b>Two Questions</b> from <b>Section C</b> is Compulsory (carrying 15marks). <b>Section D</b> is compulsory (each carrying 15 marks);			
<b>Section A ( This section is compulsory)</b>			
1.	In a closed economy savings are equal to _____ at the equilibrium level of income. a. Investments ; b. Wages; c. Income-Investments; d. Wages-Consumptions; e. none of these	[2]	CO3
2.	If the average rate of inflation in the USA and India between the years 2000-2013 is 3.2% and 6.1% respectively, then the growth rate of _____ a. USA will be more; b. India will be more; c. USA will be twice that of India; d. India will be twice of USA; d. No-definite conclusion can be made.	[2]	CO1
3.	Which of the following methods is/are used for measuring national income? a. Output method; b. Expenditure method; c. Income method; d. Both a and b; e. All of a, b and c.	[2]	CO2

4.	<p>Net factor income from abroad is equal to</p> <p>a. NNP at market prices-NDP at market prices; b. NDP at market prices-Indirect taxes + Subsidies; c. NDP at factor cost + Depreciation; d. NDP at factor cost-Depreciation; e. NNP at market prices + Depreciation</p>	[2]	CO4
5.	<p>Net Exports is</p> <p>a. The difference between current and capital account; b. The difference between merchandize export and imports; c. Same as the balance of current account; d. Same as the balance of capital account; e. Same as the overall balance of payments.</p>	[2]	CO4
6	<p>Personal income equals personal disposable income (<math>Y_d</math>) plus</p> <p>a. Personal savings; b. Transfer from government; c. Personal income taxes; d. Dividend payments; e. Both b and c</p>	[2]	CO4
7	<p>The Net Domestic Savings of an economy is defined as</p> <p>a. Net national savings less retained earnings of foreign companies; b. Net national savings plus retained earnings of foreign companies; c. National disposable income less consumption of household and government sectors; d. Gross national savings less depreciation provisions; e. National disposable income plus consumption of household and government sectors.</p>	[2]	CO3
8	<p>GDP at factor cost and GDP at market prices are both measures of output in the economy. The items that gives rise to the difference in the two measures are</p> <p>a. Direct taxes and subsidies; b. Direct taxes net of subsidies; c. Indirect taxes and subsidies; d. Direct taxes and depreciation; e. Indirect taxes and depreciation</p>	[2]	CO3
9	<p>Which of the following is not included in gross investment?</p> <p>a. Business and residential construction; b. Expenditures on consumer goods; c. Additions to business inventory; d. Expenditures on machinery; e. None of these</p>	[2]	CO5
10	<p>Personal income includes all of the following except</p> <p>a. Transfer payments; b. Undistributed corporate profits; c. Personal income taxes; d. Dividend payments; e. Personal savings</p>	[2]	CO1

<b>SECTION B (Attempt any four Questions)</b>																	
11.	Which of the following are stocks and which are flows? consumption, capital, investment, transfer payment, depreciation, GDP, budget deficit, net worth of a company.	[5]	CO4														
12.	Why is imputed rental income of owner-occupied housing included in GDP and not the market value of the house itself? If you give ₹5 to a beggar should that be included in GDP? What if he sings you a song?	[5]	CO2														
13.	What difference would it make to national income accounts if, instead of purchasing a car for the use of its general manager, a company gives her extra salary to buy that car?(Hint: Purchase of durable goods by firms are counted as investment)	[5]	CO5														
14.	<p>What will be the impact on GDP if</p> <ol style="list-style-type: none"> <li>i. all office bosses marry their secretaries and do not hire new ones until the following year;</li> <li>ii. the government hires an unemployed worker, who had been getting ₹1000 per month as unemployed benefit, as a government employee doing nothing on ₹1000 per month;</li> <li>iii. a consumer decides to buy an I-Phone made in China rather than one made in India?</li> </ol>	[5]	CO1														
15.	Which of the following are stocks and which are flows? consumption, capital, investment, transfer payment, depreciation, GDP, budget deficit, net worth of a company.	[5]															
<b>SECTION C</b>																	
<b>Long Answer type questions (Answer any two)</b>																	
15.	<p>Consider the following data: ₹(Lakh)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td>Closing stock of Firm A</td> <td style="text-align: center;">30</td> </tr> <tr> <td>Closing stock of Firm B</td> <td style="text-align: center;">20</td> </tr> <tr> <td>Opening stock of Firm A</td> <td style="text-align: center;">5</td> </tr> <tr> <td>Opening stock of Firm B</td> <td style="text-align: center;">10</td> </tr> <tr> <td>Domestic sales of Firm A</td> <td style="text-align: center;">250</td> </tr> <tr> <td>Purchase of Firm A from Firm B</td> <td style="text-align: center;">100</td> </tr> <tr> <td>Purchase of Firm B from Firm A</td> <td style="text-align: center;">80</td> </tr> </tbody> </table>	Closing stock of Firm A	30	Closing stock of Firm B	20	Opening stock of Firm A	5	Opening stock of Firm B	10	Domestic sales of Firm A	250	Purchase of Firm A from Firm B	100	Purchase of Firm B from Firm A	80	[15]	CO4
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	<table border="1"> <tr> <td>Domestic sales of Firm B</td> <td>250</td> </tr> <tr> <td>Import of raw materials by Firm A</td> <td>65</td> </tr> <tr> <td>Export of Firm B</td> <td>30</td> </tr> </table>	Domestic sales of Firm B	250	Import of raw materials by Firm A	65	Export of Firm B	30								
Domestic sales of Firm B	250														
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	Find the Value Added by two firms.														
16.	What are the different types of unemployment? Explain the characteristics of Indian labour market.	[15]	CO3												
17.	Explain how total income = total expenditure in a circular flow of income.	[15]	CO4												
	<b>Section-D</b> <b>This section is compulsory</b>		[30]												
18.	<p>Consider the following data for a hypothetical economy:</p> <table border="1"> <tr> <td>GDP</td> <td>7000</td> </tr> <tr> <td>Gross Investment</td> <td>800</td> </tr> <tr> <td>Net Investment</td> <td>550</td> </tr> <tr> <td>Consumption</td> <td>4500</td> </tr> <tr> <td>Government purchase of goods</td> <td>1100</td> </tr> <tr> <td>Budget Surplus</td> <td>30</td> </tr> </table> <p>Find: NDP, Net exports, government taxes minus transfers, disposable income, and personal saving.</p>	GDP	7000	Gross Investment	800	Net Investment	550	Consumption	4500	Government purchase of goods	1100	Budget Surplus	30	[15]	CO2
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	<p>i.) If <math>C = 10 + 0.9Y</math>, <math>I_0 = 60</math>, what is the level of unplanned inventory accumulation at <math>Y = 850</math>? (Hint: Inventory accumulation is the excess of production over demand.)</p> <p>ii) If <math>C = \frac{4}{5}Y</math>, <math>I_0 = 20</math>, what are the values of autonomous saving and marginal propensity to save? What is the equilibrium level of <math>Y</math>? Find the impact on <math>Y</math> if <math>I</math> falls to 15.</p>	[15]													

