



DELHI SCHOOL OF BUSINESS

By Vivekananda Institute of Professional Studies - TC

Delhi School of Business
PGDM & PGDM (FINTECH) Program
MID/END-TERM EXAMINATION, December 2023
TERM – II (Batch: 2023-25)

Course Name	Economic Environment and Policy	Course Code	EEP
Duration	1.5 Hours (90 minutes)	Max. Marks	20

Instructions:

1. Answer all the questions precisely. Make diagrams wherever applicable.
2. Use of simple calculator is allowed. Exchange of stationery items is prohibited.
3. Any form of misbehaviour during examination or copying from peers would be penalized

Q.1 State whether True or False. Give reason in 1-2 sentences (1x5=5 Marks) CO1, 2

- a) Change in Marginal Propensity to Consume (MPC) will shift the IS curve
- b) When an economy suffers from depression, there is positive output gap.
- c) There would be budget surplus if government spending is more than taxes in the economy
- d) National income doesn't include factor income from abroad.
- e) To help the economy recover from recession, government should reduce taxes and increase spending.

Q.2 Government of India has launched several infrastructure development schemes like PM Awas Yojana, PM Gram Sadak Yojana, Bharatmala and Sagarmala Project, etc which requires huge expenditure of the government. Using AD-AS diagram, explain the impact of such schemes on national output/income and price level in India – in short run, medium run, and long run. Are these schemes helpful in the short run or medium run or long run? Give reasons.

(5 Marks) CO 2, 3

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Q.3 Using concepts of national income accounting and given data, calculate the following.

Component	Value
Salary of workers	1000
Estimated value of car provided by company	200
Life insurance purchased by employee	50
Cost of meals provided on business trips	140
Corporate tax	25
Dividend income of shareholders	50
Estimated rent of self-occupied house	500
Retained earnings of companies	35
Estimated interest on funds invested by company owner	15
Cash prize given by government to workers	25
Amount received by authors for leasing out copyrights	60
Consumption of fixed capital	10
Net factor income from abroad	5
Net indirect taxes	15

a) GDP at MP

(3 marks)

b) GNP at FC

(2 marks)

(5 Marks) CO1

Q.4 Answer the following questions using the information given below. (5 Marks) CO 1, 2

$$C = 50 + 0.8Y_d$$

$$I = 20 - 3i$$

$$G = 100$$

$$\text{Export} = 70, \text{Import} = 20$$

People pay 37.5 percent of their income as income tax.

a) What percentage of their incremental income do people save?

(1 mark)

b) Calculate the value of government spending multiplier.

(1 mark)

c) How much would national income increase if government spending increases by Rs. 150 crores?

(1 mark)

d) What is Keynesian Cross? Show the impact of decrease in autonomous investment on Keynesian cross.

(2 marks)

$$Y = C + I + G + NIT$$