DELHI SCHOOL OF BUSINESS
By Vivekananda Institute of Professional Studies – TC

Delhi School of Business
PGDM / PGDM (FINTECH) Program
END-TERM EXAMINATION, JAN-FEB 2024
TERM – II (Batch: 2023-25)

Course Name	Economic Environment and Policy (EEP)	Course Code	
Duration	2.5 Hours	Max. Marks	40

Instructions:

1. All questions are compulsory.

2. Higher grades will be given to answers with logical reasoning, diagrams and equations.

Q.1 Mention True/False. Give reasons for the same. (5 marks)

a) Fiscal policy is inflationary in Keynes theory and leads to growth under classical theory.

b) Contractionary fiscal and monetary policy can help in solving the problem of unemployment in the economy.

c) When LM curve is steeper, monetary policy is more effective.

d) To boost economic growth, RBI should buy government securities under open market operations.

e) Higher external commercial borrowing from foreign sources will cause a deficit in the current account of BoP.

Q.2

a) "Inflation is a self-fulfilling prophecy". Explain using expectations augmented Phillips curve.
(4 marks) CO1

b) Elaborate on the difference between short run and long run Philips curve.
(3 marks) CO1

Q.3

a) "Expansionary fiscal policy always leads to crowding out". Do you agree? Give your views and rationale for the same. (4 marks) CO2

b) How can crowding out be prevented using monetizing of fiscal deficit?
(3 marks) CO2

Q.4 Assume perfect mobility of capital. Will monetary policy be effective under fixed exchange rate or flexible exchange rate? Compare the two cases and comment on impossible Trinity. (7 marks) CO2

Q.5

a) Highlight the differences between Keynes' theory of money demand and quantity theory of money. (5 marks) CO1

b) Mention the four functions of money. (2 marks) CO1

Q.6

a) Suppose RBI prints a new Rs 500 note. The cash reserve ratio is 10%. Explain the working of money multiplier and calculate its value. (5 marks) CO1

b) How is high-powered money different from money supply? (2 marks) CO1