Online PGDM

First Year, Trimester II, February 2024

Course Name: GLOBAL BUSINESS ENVIRONMENT **Max Marks: 70**

Course Code: 2104 **Max Time : 2 hrs**

Instructions for Students: Be precise and to the point while writing the answer.

Section A: Objective Type Questions Max. Marks-20

1. A steady increase in the general level of prices as a result the aggregate demand is increasing in unsustainable rate as compared to aggregate supply is termed as

A. demand-pull inflation

B. cost-push inflation

C. stagflation

D. structural inflation

2. What do you mean by convertibility of the rupee

A. being able to convert rupees into US dollars.

B. freely permitting the conversion of rupees to other major currencies and vice- versa.

C. allowing the value of the rupee to be fixed by market forces.

D. developing an international market for currencies in India.

3.The India has a balance of trade deficit when its

A. Merchandise exports exceed its merchandise imports

B. Merchandise imports exceed its merchandise exports

C. Goods and services exports exceed its goods and services imports

D. Goods and services imports exceed its goods and services exports

4. A very rapid or out of control growth in prices in which money loses its value to the point wherever barter may be preferable is known as

A. Inflation

B. Deflation

C. Disinflation

D. Hyper- inflation

5. Exchange rate for currencies is determined by supply and demand in system of

A. Fixed exchange rate

B. Flexible

C. Constant

D. Govt. regulated.

6. An appreciation of the currency is likely to occur if

A. Domestic interest rates fall.

B. There is an increase in demand for imports.

C. There is an increase in demand for exports.

D. There is an increase in the balance of payments deficit.

7. Low real interest rates in the United States tend to

A. Decrease the demand for dollars, causing the dollar to depreciate

B. Decrease the demand for dollars, causing the dollar to appreciate

C. Increase the demand for dollars, causing the dollar to depreciate

D. Increase the demand for dollars, causing the dollar to appreciate

8. A peak is defined as

A. a transition from an expansion in the business cycle to the start of a contraction

B. a transition from a contraction in the business cycle to the start of an expansion

C. a depression that lasts more than three years

D. only something used by farmers to feed pigs and not an investment term.

E. none of the above

9. If the economy were going into a recession, an attractive industry to invest in would be the ________ industry.

A. automobile

B. medical services

C. construction

D. A and C

E. B and C

10.Which exchange-rate system does not require monetary reserves for official exchange-rate intervention?

A. Floating exchange rates

B. Pegged exchange rates

C. Managed floating exchange rates

D. Dual exchange rates

11. Which of the following is a reason for inflation

A. Deficit financing

B. Growth in per capita income

C. Structural deficiencies

D. All the above

12. Which of the following is an effect of inflation

A. Erosion in purchasing power.

B. Affects relative price of goods.

C. Increase in inequalities of income

D. All the above

13.Inflation is mostly harmful to which one of the following

A. Debtors

B. Creditors

C. Business class

D. Holder of real assets

14. An increase in interest rates will likely lead to

A. Higher demand for money

B. Lower demand for money

C. No change in demand for money

D. Impossible to predict.

15.Which of the following is NOT a component of the money supply in most economies?

A. Currency in circulation

B. Demand deposits

C. Time deposits

D. Cryptocurrency

16. If the demand for money increases while the money supply remains constant, what will happen to the equilibrium interest rate?

A. It will increase.

B. It will decrease.

C. It will remain unchanged.

D. Cannot be determined without additional information.

17.Which of the following tools can the central bank use to influence the money supply?

A. Open market operations

B. Discount rate adjustments

C. Reserve requirements

D. All the above

18. Banks are required to maintain a certain fixed proportion of their liabilities in the form of designated liquid assets known as

A. SLR

B. CRR

C. REPO RATE

D. REVERSE REPO RATE

19. The government carries out monetary policy through

A. Commercial bank

B. Central Bank

C. Cooperative bank

D. none of the above

20. Name the instruments which RBI does not use for quantitative control of credit

A. cash requirement ratio

B. statutory liquidity ratio

C. open market ratio

D. margin requirements

Section B: Subjective Type Questions (Short Answer Questions)

Instructions: (Attempt any Two Questions) Marks- (5*2= 10Marks)

India aims to attain developed nation status by its 100th year of independence in 2047, striving to elevate the current per capita income of approximately $2400 to at least $15,000. Achieving this target requires India's GDP to maintain a consistent annual growth rate of 8 percent.

Private final consumption expenditure (C), a substantial component contributing 56 percent to the GDP, holds pivotal importance in this pursuit. Gross fixed capital formation (GFCF), indicating productive asset creation, has notably risen from 30.7% of GDP in FY15 to 34% of GDP in FY24, marking the highest level of asset formation in India since 2009. However, in comparison to China, where this indicator has consistently surpassed 40 percent of their GDP for several years, India's GFCF remains relatively lower. This emphasizes the potential for further enhancement in asset creation for sustained economic progress. Similarly, India's exports have shown remarkable growth, surging from USD 375 billion in FY 2011 to USD 770 billion in FY 2023. However, there's considerable untapped export potential.

Challenges persist, notably in youth unemployment and employability. The India Skill Report indicates that only 54 percent of Indian graduates are employable. Addressing this is crucial; otherwise, India's demographic dividend might shift into a demographic burden.

Despite these challenges, India maintains its position as one of the fastest-growing economies globally. The first advance estimate for 2023-24 projects a 7.3 percent growth in real GDP, a slight uptick from the previous year's 7.2 percent, signaling a steady yet gradual economic expansion.

It's evident that while India progresses economically, addressing key concerns like asset creation, export potential, and enhancing the employability of its youth are pivotal to sustain this growth and transition into a developed nation.

Read the above note and answer any two of the following questions.

Q1. Analyze the impact of the shift from consumption-driven growth to investment-led growth on India's quest to elevate its per capita income to $15,000 by 2047.

Q2. Discuss the implications of India's GFCF being lower than that of China and its importance in achieving sustained economic progress.

Q3. Compare India's export growth trajectory with other emerging economies and provide recommendations to further accelerate export growth.

Section C: Subjective Type Questions (Long Answer Questions)

Instructions: Attempt any two questions **Marks- (20*2=40Marks)**

Q4 The Reserve Bank of India (RBI) recently decided to maintain the repo rate at 6.5%, marking the sixth consecutive time it has held rates steady. Critically evaluate the RBI's decision to maintain the repo rate in India, considering its economic context, stakeholder impact, and alternative options. Briefly discuss global factors and future scenarios influencing monetary policy.

Q5 Analyze the key features and potential implications of Nirmala Sitharaman's Interim Budget for 2024-25 in India. Discuss the strengths and weaknesses of the budget in the context of India's current economic scenario and upcoming general elections.

Q6 Analyze the ongoing Russia-Ukraine war and its multifaceted impact on the global economy. Discuss the long-term implications of this conflict for different regions and economic sectors.