

Jagan Institute of Management Studies
End-Term Examination, December 2017 – January 2018
Trimester II – PGDM (RM) 2017-19

Managerial Economics II
ET_RM_ME-II_2612

Time: 3 Hrs.

M. Marks: 70

INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q7 which are compulsory.

- Q 1** Attempt any **THREE** of the following:
- a) What is Aggregate Demand and briefly explain its components.
 - b) Why WPI and CPI are important for the Government, RBI and Industry in the economy?
 - c) What are the different components of Index of Industrial Production (IIP) and how it is different from core infra?
 - d) Highlight the difference between monetary and fiscal policy.
 - e) How Balance of Trade (BoT) is different from Balance of Payment (BoP)?
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- Q 2** Select any of the following industrial sectors **OR** a company within the following industrial sectors and further do the PESTLE analysis (PESTLE format attached) so as to identify the drivers of its rising or declining growth performance.
- i) Textiles
 - ii) Gems and Jewellery
 - iii) Leather and made ups
 - iv) IT
 - v) Electronics.
 - vi) Pharmaceuticals.
 - vii) FMCG.
 - viii) Agro sector.
 - ix) Automobiles.
 - x) Services (Choose any one subsector within services).
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- Q 3** Complete the following table related to inflation concepts and also discuss the current scenario of inflation in India.

Questions	WPI	CPI
Which Government Department releases the data?		
When the data is released?		

What is the base year?		
What are the components?		
What is Core Inflation?		
What are the different types of inflation?		
How inflation is calculated? Also Give the formula.		

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- Q 4 a)** On the basis of the quarterly estimates of expenditures of GDP, recently released by CSO, MOSPI calculate:
- GDP for the Q2 of 2016-2017.
 - GDP for the Q2 of 2017-2018.
 - Percentage change in GDP of Q2 (2017-18) over GDP of Q2 (2016-17).
 - Interpret the results pertaining to the GDP growth in Q2 of 2016-2017.

**Quarterly Estimates of Expenditures of GDP
Q2 (July-September) of 2017**

Particulars	2016-2017 (Q2) (Rs. Crores)	2017-2018 (Q2) (Rs. Crores)
Private Final Consumption Expenditure	1601797	1705978
Government Final Consumption Expenditure	380561	396284
Gross Fixed Capital Formation	874494	915211
Change in Stocks	72171	77000
Valuables	36783	75408
Exports	608293	615706
Imports (Less)	631865	679194
GDP		
GDP (% Change over previous year Quarter)	7.5%	

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- b)** Demonstrate the various components of fiscal policy and also explain how does it help in achieving equilibrium in the economy? 7

- Q 5** On the basis of the following table, discuss the present scenario of industrial activities in the economy

	Weight in IIP	April- Oct 2016- 17	April- Oct 2017-18	Sept 17	Oct 17
Mining	14.3	2.7	3.4	7.75	0.2
Manufacturing	77.6	5.9	2.1	3.8	2.5
Electricity	7.9	5.9	5.3	3.36	3.2
Use based classification					
Primary goods	34.0	5.1	3.5	6.55	2.5
Capital goods	8.2	4.6	0.8	8.18	6.8
Intermediate goods	17.2	3.4	0.2	2.14	0.2
Infrastructure/construction goods	12.3	5.2	2.5	0.4	5.2
Consumer durables	12.8	6	(-) 1.9	(-) 3.4	(-) 6.9
Consumer non-durables	15.3	9.5	7.5	10.2 5	7.7
Overall IIP	100	5.5	2.5	4.14	2.2

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Q 6 Explain the Keynesian theory of income and employment model (AD-AS Model) in the light of the present indicators of the economic growth. 14

Q 7 [Read the paragraph and answer the questions given at the end.](#)

News Interpretation

Exports rise 30.55% to US\$26.19 billion in November, 2017, after GST simplification

After a brief pause, exports rose 30.55 per cent to \$26.19 billion in November on account of improved global demand, government incentives and simplification of GST refund process.

Exports had witnessed a decline of 1.12 per cent to \$23 billion in October this year, retreating from a six-month high growth rate in September. India's exports in November 2016 stood at \$20.06 billion. The data released by the commerce ministry also revealed that imports too grew 19.61 per cent to \$40 billion in November from \$33.46 billion in the same month last year.

On account of rise in imports, trade deficit increased marginally to \$13.82 billion in November on Y-o-Y basis. However, the deficit -- gap between imports and exports -- narrowed on month-on-month basis. November witnessed robust growth in outward shipments of gems and jewellery, engineering goods, chemical and pharmaceutical products.

The government has simplified the process for exporters to claim refunds under the Goods and Services Tax (GST). Input Tax Credit (ITC) and Integrated-GST refunds for exporters are being expedited for quick unlocking of their capital.

Earlier this month, the government had announced Rs 8,450

crore incentives for exporters in sectors like leather and agriculture. Meanwhile, gold imports dropped by 25.96 per cent to \$3.26 billion last month, the data showed.

Oil imports and non-oil imports in November grew 39.14 per cent and 14.57 per cent to \$9.55 billion and \$30.47 billion, respectively. Twenty-four out of 30 major product groups were in the positive territory.

However, the major growth contributors were engineering, petroleum products, gems and jewellery, organic and inorganic chemicals, marine items and pharmaceutical, the data revealed.

Cumulative exports during April-November 2017-18 increased by 12.01 per cent to \$196.48 billion, while imports grew 21.85 per cent to \$296.45 billion, leaving a trade deficit of nearly \$100 billion.

On the basis of the above news clip answer the following questions:

- a) Discuss the recent trade performance of economy in terms of export growth, import growth and trade deficit as per the month of November, 2017. 3
- b) What are the major reasons of rise in export growth in the economy? Elaborate the points mentioned in the news clip on the basis of your own understanding. 5
- c) Do you think India's export performance is satisfactory? Answer, in the light of the current Balance of Trade (BoT) situation in the economy. Also suggest few measures for increasing India's export performance in coming times. 5
