

Time: 3 hours

Max Marks: 60

Instructions: Answer all questions by selecting any two parts from each question. All questions carry equal marks.

- 1(a) Given below are few trends emerging in different sectors of macro environment. Identify the environmental factor and describe their strategic implications for the stated businesses:
- Depreciating exchange rates on gold prices in India.
 - Growing internet connections in India- For financial services and insurance companies.
 - Scrapping CVD (Countervailing Duties) exemptions- For manufacturing sector in India.
- (6)

1(b) You are an employee of USA firm that produces mobile phones in Vietnam and then exports them to USA and other countries for sale. The phones were originally produced in Vietnam to take advantage of low labor costs and a skilled workforce. Other possible locations considered at the time were Malaysia and Hong Kong. The USA government decides to impose 100% ad valorem tariffs on imports of phones from Vietnam to punish the country for administrative barriers that restrict USA exports to Vietnam. How should your firm respond? What do you think why government imposes such trade restrictions? (6)

1(c) "Stagflation occurs when there is an increase in inflation and also at the same time an increase in unemployment and lower economic growth." In view of this, elucidate the concept of stagflation and explain with an example how a country can overcome this problem. (6)

2(a) Debate the relative merits of fixed and floating exchange rate regimes 'for a country like India'. From the perspective of international business, what are the most important criteria in a choice between the systems? Which system is the most desirable for an international business? (6)

2(b) What are the instruments which can be used by monetary policy authorities in controlling inflation? (6)

2(c) Discuss Porter's five forces model with reference to any industry. What does the model tell you about the level of competition in this industry? (6)

3(a) Discuss the effect of an increase in the Government Budget Deficit on the rate of interest; the level of private investment. Identify the crowding out effect in this context. (6)

3(b) "At present, no country is completely based on communism or capitalism. All countries have mixed economies, with some free enterprises and some government ownership." Discuss the statement with appropriate examples. (6)

3(c) Write short note on the following:

- i. Leading, Lagging and Coincident Indicators of predicting business cycle
- ii. Demand Pull Inflation and Cost Push Inflation

(6)

4(a) Explain the various levels of regional economic integration with suitable examples. (6)

4(b) Write short note on the following:

- i. Multiplier Process
- ii. Major Economic Problems

(6)

4(c) Give reasons and explain how the following items should be included in estimating National Income:

- i. Purchase of tractor by a farmer
- ii. Rent received by Indian residents on their buildings rented out to foreigners in India
- iii. Interest on public debt
- iv. Money received by government from sale of DTC bus to a private owner.
- v. Brokerage on sale of shares
- vi. Expenditure on fertilizers by a farmer

(6)

5(a) "Presently, India has current account convertibility and partial capital account convertibility." Discuss. (6)

5(b) What kind of monetary policy will you propose in the following cases:

- i. High inflation rate
- ii. High Unemployment
- iii. Low Inflation rate from the recent recession

(6)

5(c) You are in top management of an Indian hotel chain considering whether to expand in China, Saudi Arabia or Germany. On the basis of cultural differences, which country seems the most attractive target for expansion and why? (6)

(6)

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