

**VPM's**  
**DR VN BRIMS, Thane**  
**Programme: PGDM (2017-19)**  
**PGDM Trimester II Examination December 2017**

<b>Subject</b>	<b>Macro Economics</b>		
<b>Roll No.</b>		<b>Marks</b>	<b>60 Marks</b>
<b>Total No. of Questions</b>	<b>7</b>	<b>Duration</b>	<b>3 Hours</b>
<b>Total No. of printed pages</b>	<b>2</b>	<b>Date</b>	<b>28.12.2017</b>

**Note:**

1. Question No. 1 is compulsory. Marks 20.
2. From Q. No. 2 to 7 write any four. Marks 40

**Q1) 20 Marks (Compulsory)**

1. **A.** Read the following and answer the Question below it.

The inflation differences between countries play an important and major role in determining the premium and discount of the currencies in forwards when dealt. We are taking an Hypothetical situation below where the Indian Spot USD for 1 = INR 64.6400. For 6 months forward the rate quoted is 65.8400, for 1 USD in terms of INR. The Indian Int. rate is 10% p.a. At USA the Interest rate is considered to be 5% p.a. at the same period constant.

According to the PPP theory we understand that the forward premium/discount is equal to the interest difference between India and USA. You have been given the forward rate of six months above Find for one million assured capital how would you make the Arbitrage possible, if any, from above given information. Adopt stepwise PPP formula for finding the answer.

**1.B. Read the following information and answer the Questions given below it.**

The "Make it in India" concept had been strengthening the Balance of Payment position of India, it is said. The inflow of Foreign currency, in India through FDI and Foreign currency, and Foreign Portfolio investments (FPI) had been taken in positive sense and increased the Indian Forex Reserves upto 385 Billion USD, from 3.5 Billion by 1991. The inflow of FDI/FII play an important role in the Indian Economy. Thailand by 1997 had to face the Economic Crisis due to Inflow of Japanese Yen, which brought Hyper Inflation and made the country currency Thailand Bhat to devalue 40% in a short period. Indian Rupee was at Rs. 13.50/= by 1987 depreciated to Rs. 65.6500 by 2017. The coke and Pepsi Swept the Indian Market. Samsung and LG had been dominating the consumer Durable markets of India for more than Two decades. Food clothing shelter, Health Education and Entertainment etc. have been dominated by MNC's in India. Indian companies have become highly competitive.

**Questions:-**

- (1) Write the advantages and Drawbacks of FDI/FPI for the Host country.
- (2) **Discuss the prospects and problems of the Investing Country (USA, Mauritius, Japan) at host country.**

**Q.2. A. Find the middle rate, % spread and indirect rates of the following and mention from which country quoted Direct or Indirect.**

USD / INR 63.6350/63.8850 (2 ½)  
 GBP/ INR 87.0050 / 87.9950 (2 ½)

**Q.2. B. Find the Indirect rate of the Quotation when following information given to you.**

**The middle rate of quotation.**  
 CHF / FRF 2.9150. The difference between the Bid and ask is (5)  
 0.6850.

**Q.2. C. Explain circular flow of income.**

**(5)**

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- Q.3. A. Find the Indirect rate of the quotation when the Mid Rate is @ USD /INR 63.6350. The % spread is 0.50%. (First find Qtn then its indirect rates) (5)**
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- Q.3. B. Find the Mid rate, % spread, and indirect rates of the following. Do mention from which country quoted. (5)**  
 USD / FRF 2.9050 / 9950 (2 1/2 )  
 Euro / USD 1.9989/ 29 (2 1/2 )
- Q.3. C. What are the Methods of measuring national income. (5)**
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- Q.4. A. Find Arbitrage if any, for 1 Mio Capital (5)**  
 Bank A – USD / INR 63.6350 / 6450  
 Bank B – USD / INR 63.4850/ 5350  
 Bank C – USD / INR 63.5450/5950
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- Q.4. B. Find Arbitrage if any for Capital 5,00,000. (5)**  
 Bank A – E/USD 1.4891/ 11  
 Bank B – USD/Euro 0.6734 /0.6736  
 Bank C – E / USD 1.4881/ 91
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- Q.4. C. Find Cross rates. (5)**  
 USD / INR 64.6450/6550  
 UBP/ INR 87.8750/87.8950
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- Q.5. A. Write about three different economic Models (capitalism, communism, Mixed) (5)**  
**B. What are the constituents of Money supply. (5)**  
**C. What role played by Government with reference to markets and public goods. (5)**
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- Q.6. A. What are the factors influencing the incidence of Taxation? (5)**  
**B. Write about any 3 theories of international Trade. (5)**  
**C. Write about Monetary Policy is the status of Monetary Policy in India. (5)**
- Q.7. Write short notes: (5 x 2 = 10)**  
**A. Budget of country.**  
**B. Concept of Deficit Financing.**  
**C. GDP and GNP.**  
**D. Green National Income.**  
**E. Effects of Inflation.**
- OR**
- Write any two :- (5 x 2 = 10)**  
**A. What is the changing role of RBI in the context of LPG.**  
**B. The canons of Taxation.**  
**C. Public Debt in India.**