GALGOTIAS UNIVERSITY

ADMISSION NUMBER

School of Finance and Commerce

Bachelor of Commerce Honours

Mid Term Examination - May 2024

Duration : 90 Minutes
Max Marks : 50

Sem IV - H1UB406T - Business Environment

General Instructions
Answer to the specific question asked
Draw neat, labelled diagrams wherever necessary
Approved data hand books are allowed subject to verification by the Invigilator

1)	What are the key factors that characterize the Indian business environment.	K2 (2)
2)	Explain the concept of fiscal policy.	K1 (3)
3)	Differentiate between micro and macro factor of business enviornment.	K2 (4)
4)	“Industrial Policy Resolution of 1956 emphasized on the expansion of public sector.” In the light of the above statement explain the various features of this policy.	K2 (6)
5)	Differentiate between monetory policy and fiscal policy.	K3 (6)
6)	Illustrate what are the factors or enviornmental conditions that exist within an organisation and affect its performance of business.	K3 (9)
7)	Analyse about economic system of India with illustration of any suitable case.	K4 (8)
8)	Analyze the significance of FEMA (Foreign Exchange Management Act) 1998 in regulating foreign exchange transactions in India. How does FEMA facilitate external trade and payments?	K4 (12)

OR

CASE STUDY: INFLATION AND THE INDIAN ECONOMY Inflation is the rise in prices which occurs when the demand for goods and services exceeds their available supply. In simpler terms, inflation is a situation where too much money chases too few goods. In India, the Wholesale Price Index (WPI), which was the main measure of the inflation rate consisted of three main components - primary articles, which included food articles, constituting 22% of the index; fuel, constituting 14% of the index; and manufactured goods, which accounted for the remaining 64% of the index. For purposes of analysis and to measure more accurately the price levels for different sections of society and as well for different regions, the RBI also kept track of consumer price indices. The average annual GDP growth in the 2000s was about 6% and during the second quarter (July-September) of fiscal 2006-2007, the growth rate was as high as 9.2%. All this growth was bound to lead to higher demand for goods. However, the growth in the supply of goods, especially food articles such as wheat and pulses, did not keep pace with the growth in demand. As a result, the prices of food articles increased. According to Subir Gokarn, Executive Director and Chief Economist, CRISIL, 'The inflationary pressures have been particularly acute this time due to the supply side constraints (of food articles) which are a combination of temporary and structural factors'. To control inflation, the RBI announced some measures late 2006 and early 2007. These measures included increasing repo rates, the Cash Reserve Ratio (CRR) and reducing the rate of interest on cash deposited by banks with the RBI. With the increase in the repo rates and bank rates, banks had to pay a higher interest rate for the money they borrowed from the RBI. Consequently, the banks increased the rate at which they lent to their customers. The increase in the CRR reduced the money supply in the system because banks now had to keep more money as reserves. The RBI again increased the CRR to 5.5% (an increase of 50 basis points) in December 2006. On January 31, 2007, the RBI increased the repo rate by 25 basis points to 7.5%. In 2006-07, all the measures that were taken by the RBI and the government to control the inflation were based on the traditional and time-tested measures to curb inflation. However, some economists argued that the steps taken by the government to control inflation were not enough. It was opined by various economic analysts that the RBI could have handled the inflation without changing with the interest rates. The analysts held that changing the interest rates may slow the pace of economic growth. Some of the analysts also explained that high inflation is considered as an indication of economic mismanagement and high inflation that continues to exist for a long period of time affects the confidence of investors. However, the inflation rate in emerging economies was usually higher than developed economies (Refer to inflation rates in some developed and developing countries). QUESTIONS 1. Explain the concept of inflation in the Indian context. 2. Give out the ways of curbing inflation K4 (12)