

SECTION A

1. Define market demand.
 2. What does cost mean in economics?
 3. Define revenue.
 4. Define market for a good.
 5. Give meaning of 'opportunity cost'.
 6. When price of a good falls from Rs.10 per unit to Rs.9 per unit, its demand rises from 9 units to 10 units. Compare expenditures on the good to find price elasticity of demand.
 7. What is the relation between good X and good Y in each case, if with fall in price of X demand for good Y (i) rises and (ii) falls? Give reason.
 8. Explain the effect of technical progress on the supply of a good.
- OR
- Explain the effect of rise in input prices on the supply of a good.
9. State three features of monopolistic competition.
 10. Explain the central problem 'how to produce'.
 11. Complete the following table:

Output (Units)	Total Variable Cost (Rs.)	Average Variable Cost (Rs.)	Marginal Cost (Rs.)
1	10	—	—
—	—	8	6
3	27	—	—
—	—	10	13

OR

Output (Units)	Total Variable Cost (Rs.)	Average Variable Cost (Rs.)	Marginal Cost (Rs.)
1	—	12	—
2	20	—	—
—	—	10	10
4	40	—	—

12. Explain the conditions leading to profit maximization by a producer. Use total cost and total revenue approach.

13. Complete the following table:

Output (Units)	Total Variable Cost (Rs.)	Average Variable Cost (Rs.)	Marginal Cost (Rs.)
1	_____	15	_____
2	_____	_____	26
3	11	_____	_____
2	_____	3	_____

14. Explain the Law of Variable Proportions through the behavior of both Total Product and Marginal Product. Give reasons.

OR

Explain “Returns to Scale” using numerical examples. Given reasons.

15. Market for a good is in equilibrium. What is the effect on equilibrium price and quantity if the proportionate increase in market demand is greater than increase in market supply. Use diagram.

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Market for a good is in equilibrium. What is the effect on equilibrium price and quantity if the proportionate increase in market demand is greater than increase in market supply. Use schedules

16. A consumer consumes only two goods. Explain his equilibrium with the help of utility approach.

17. Define deflationary gap.

18. What is a central bank?

Section B

19. State any one objective of government budget.

20. Define flexible exchange rate system.

21. Give meaning of full employment.

22. When exchange rate of foreign currency rises, its supply rises. How? Explain.

23. State components of the current account of the balance of payments account.

24. What is bank rate policy? How does it work as a method of credit control?

OR

What are ‘open market operations’? How do these work as a method of credit control?

25. Give meanings of capital receipts and revenue receipts with an example of each.

26. Calculate 'intermediate consumption' from the following data:

(Rs. lakhs)

- | | |
|-------------------------------------|-----|
| (i) Value of output | 200 |
| (ii) Net value added at factor cost | 80 |
| (iii) Sales tax | 15 |
| (iv) Subsidy | 5 |
| (v) Depreciation | 20 |

27. What is 'fiscal deficit'? What are its implications?

28. As a result of increase in investment national income rises by Rs. 600 crores. If marginal propensity to consume is 0.75, calculate the increase in investment.

29. Give four agency functions of commercial banks.

OR

Explain the acceptance of deposits function of commercial banks.

30. giving reasons explain how the following are treated while estimation national income:

- (i) Payment of fees to a lawyer engaged by a firm.
- (ii) Rent free house to and employee by an employer.
- (iii) Purchases by foreign tourists.

31. Calculate Gross National Product at Market Price and Net National Disposable income from the following data:

(Rs. Crores)

- | | |
|------------------------------------|--------|
| (i) Net current transfer to abroad | (-) 5 |
| (ii) Profits | 70 |
| (iii) Consumption of fixed capital | 30 |
| (iv) Rent | 40 |
| (v) Indirect tax | 20 |
| (vi) Interest | 100 |
| (vii) Royalty | 10 |
| (viii) Compensation of employees | 600 |
| (ix) Subsidy | 5 |
| (x) Net factor income from abroad | (-) 25 |

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