

## **General Instructions:**

1. *All questions in both the sections are compulsory.*
2. *Marks for questions are indicated against each.*
3. *Question Nos. 1 and 13 are very short-answer questions carrying 1 mark for each part. They are required to be answered in one sentence each.*
4. *Question Nos. 2—5 and 14—17 are short-answer questions carrying 3 marks each. Answer to them should not normally exceed 60 words each.*
5. *Question Nos. 6—9 and 18—21 are also short-answer questions carrying 4 marks each. Answer to them should not normally exceed 70 words each.*
6. *Question Nos. 10-12 and 22—24 are long-answer questions carrying 6 marks each, Answers to them should not normally exceed 100 words each.*
7. *Answers should be brief and to the point and the above word limits be adhered to as far as possible.*
8. *All parts of a question should be answered at one place.*

## **Section A**

Q. 1. Answer the following questions :  $1 \times 4 = 4$

Give two reasons for the problem of choice.

Give one reason for a rightward shift of the Production Possibility Curve,

Give two examples of microeconomic studies.

What does the problem 'for whom to produce' refer to ?

Q. 2. Explain the effect of rise in the prices of related goods on the demand of a good. 3

Q. 3. State three causes of decrease in supply. 3

Q. 4. Explain the relation between marginal revenue and total revenue. 3

Q. 5. Draw straight line supply curves with price elasticity of supply equal to (i) one, (ii) less than one and (iii) more than one. 3

Or

Distinguish between fixed cost and variable cost and give one example of each.

Q. 6. When price of a good falls by 10 percent, its quantity demanded rises from 40 units to 50 units. Calculate price elasticity of demand by the percentage method. 4

Or

A consumer buys 50 units of a good at a price of Rs. 10 per unit. When price falls to Rs. 5 per unit he buys 100 units. Find out price elasticity of demand by the 'Total Expenditure Method'.

Q. 7. Give meanings of (i) marginal physical product, (ii) marginal cost, (iii) marginal revenue and (iv) supply schedule. 4

Q. 8. Calculate Total Variable Cost and Marginal Cost from the following cost schedule of a firm whose Total Fixed Costs are Rs. 12 : 4

Output (Unit)	Total Cost (Rs.)
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1	
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	20
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2	26
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3	31
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4	38
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Q. 9. How is the equilibrium price of a commodity affected by a leftward shift of the demand curve ? Explain with the help of a diagram.

4

Or

How is the equilibrium price and quantity of a commodity affected by a decrease in its demand ?

Q. 10. Distinguish between the following : 6

Normal good and Inferior good

Marginal utility and Total utility

Individual demand schedule and Market demand schedule

Q. 11. Identify the three phases of the Law of Variable Proportions from the following and also give reason behind each phase : 6

Unit of Variable Input Total Physical Product (Unit)

1 10

2 22

3 30

4 35

5 30

Q. 12. Explain briefly the three features of perfect competition. 6

Or

Explain the features of monopoly market.

## SECTION - B

Q. 13. Answer the following questions : 1×4

Define macroeconomics.

Give two examples of the study of aggregates of the economic system.

List two items of the capital account of balance of payments account.

What is the difference between the values of exports of goods and imports of goods called ?

Q. 14. Calculate Personal Income from the following data : 3

(Rs. crores)

(i) Undistributed profits of corporations      20

(ii) Net domestic product accruing to the private sector      500

- (iii) Corporation tax 55
- (iv) Net factor income from abroad (—) 10
- (v) Net current transfers from government 15
- (vi) National debt interest 40
- (vii) Net current transfers from the rest of the world 15

Q. 15. An increase in investment leads to total rise in national income by Rs. 500 crores. If Marginal Propensity to Consume is 0.9, what is the increase in investment ? Calculate. 3

Q. 16. Give meanings of (i) aggregate demand, (ii) aggregate supply and (iii) excess demand. 3

Q. 17. How is foreign exchange rate determined ? Use diagram. 3

What is foreign exchange market ? How is foreign exchange rate determined in this market ?

Q. 18. Give meaning of money supply,. State its components. 4

Or

Give meaning of money. Explain its 'medium of exchange' function.

Q. 19. Explain briefly the 'banker to the government' function of the central bank. 4

Q. 20. Distinguish between 'revenue expenditure' and 'capital expenditure'. Give two examples of each. 4

Q. 21. Distinguish between 'fiscal deficit' and 'revenue deficit'. What does fiscal deficit indicate ? 4

Q. 22. Calculate Gross National Product at Market Price and Net National Disposable Income from the following data : 4, 2

(Rs. crores)

- (i) Current transfers from government
- (ii) Compensation of employees
- (iii) Net current transfers from the rest of the world
- (iv) Rent
- (v) Consumption of fixed capital
- (vi) Interest

(vii) Net indirect tax

(viii) Profit

(ix) Mixed income of the self-employed

(x) Net factor income from abroad      25

600

20

100

50

120

110

80

200

(—) 10

Q. 23. Explain the 'expenditure' method of estimating national income.

6

Or



Explain the term 'compensation of employees' and its components. Giving reasons, state whether the following are treated as compensation of employees :

Gifts by employers

Bonus

Q. 24. What is 'deficient demand' in macroeconomics ? Show it on a diagram. Explain the role of open market operations in correcting it. 6

Distinguish between 'deficient demand' and 'excess demand' in macroeconomics. Explain the role of open market operations in correcting deficient demand.