

Q. 1. Answer the following questions :

- a. Why does an economic problem arise?
- b. Define opportunity cost.
- c. What does a rightward shift of production possibility curve indicate?
- d. Define microeconomics. 1×4

Q. 2. Explain the effect of increase in income of the consumer on the demand for a good. 3

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

Q. 4. Explain the relation between marginal cost and average cost. 3

Q. 5. Explain producer's equilibrium with the help of a diagram. 3

Or

Explain the meaning and conditions of producer's equilibrium.

Q. 6. A consumer buys 40 units of a good at a price of Rs. 3 per unit. When price rises to Rs. 4 per unit he buys 30 units. Calculate price elasticity of demand by the total expenditure method. 4

Or

A consumer buys 80 units of a good at a price of Rs. 5 per unit. Suppose price elasticity of demand is (-)2. At what price will he buy 64 units ?

Q.7. Give meaning of:

- a. production function
- b. Supply
- c. revenue, and
- d. cost 4

Q. 8. Calculate 'total variable cost' and 'total cost' from the following cost schedule of a firm whose fixed costs are Rs. 10. 4

Output (units) :	1	2	3	4
Marginal cost (Rs.) :	6	5	4	6

Q. 9. At a given price there is excess demand for a good. Explain how the equilibrium price will be reached. Use diagram. 4

Or

What is meant by 'excess demand' for a good ? Explain the changes which will bring about equilibrium price.

Q. 10. Distinguish between :

- a. Individual demand and market demand.
- b. Change in demand' and 'change in quantity demanded' 6

Q. 11. State the phases of the law of variable proportions in terms of total physical product. Use diagram. 6

Or

State the phases of the law of variable proportions in terms of total physical product and marginal physical product.

Q. 12. Explain the following features of perfect competition : 6

- a. Large number of buyers and sellers
- b. Homogeneous products

Or

Explain the following :

- a. 'Free entry and exit' feature of perfect competition,
- b. 'Differentiated products' feature of monopolistic competition.

Section - B

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

- a. Define macroeconomics.
- b. Give two examples of macroeconomic studies.
- c. What does balance of payments account of a country record ?
- d. Name the items included in balance of trade account.

Q. 14. Calculate 'private income' from the following data : 3

	(Rs. crores)
(i) National debt interest	30
(ii) Gross national product at market price	400
(iii) Current transfers from government	20
(iv) Net indirect taxes	40

(v) Net current transfers from the rest of the world	(-) 10
(vi) Net domestic product at factor cost accruing to government	50
(vii) Consumption of fixed capital	70

Q. 15. A Rs. 200 crore increase in investment leads to a rise in national income by Rs. 1000 crores. Find out marginal propensity to consume. 3

Q. 16. Give meanings of : 3

- involuntary unemployment
- full employment, and
- under employment equilibrium

Q. 17. Give three sources each of demand and supply of foreign exchange. 3

Q. 18. Give meaning of money. Explain the 'store of value' function of money. 4

Or

What is 'barter'? Explain 'standard of deferred payment' function of money.

Q. 19. Explain the 'acceptance of deposits' function of commercial banks. 4

Q. 20. Distinguish between 'revenue receipt' and 'capital receipt' and give two examples of each. 4

Q. 21. What is 'fiscal deficit' ? What are its implications ? 4

Q. 22. Calculate national income and gross national disposable income from the following data:
4+2

	(Rs. crores)
(i) Current transfers by government	15
(ii) Private final consumption expenditure	400
(iii) Net current transfers from the rest of the world	20
(iv) Government final consumption expenditure	100
(v) Net factor income from abroad	(-) 10
(vi) Net domestic capital formation	80

(vii) Consumption of fixed capital	50
(viii) Net exports>	40
(ix) Net indirect taxes	60

Q.23. Explain the production method of estimating national income. 6

Or

Explain the income method of estimating national income.

Q. 24. Explain the problem of 'excess demand' in an economy with the help of a diagram.
Explain the role of bank rate in cprrecting it. 6

Or

Explain the meaning of 'excess demand' and 'deficient demand' in an economy.
Explain the role of bank rate in correcting excess demand.