

GENERAL INSTRUCTIONS:

- i. All questions in both the sections are compulsory.*
- ii. Marks for questions are indicated against each.*
- iii. Question Nos. 1-4 and 16-19 are very short-answer questions carrying 1 mark each. They are required to be answered in one sentence each.*
- iv. Question Nos. 5-8 and 20-23 are short-answer questions carrying 3 marks each. Answer to them should not normally exceed 60 words each.*
- v. Question Nos. 9-12 and 24 are also short-answer questions carrying 4 marks each. Answer to them should not normally exceed 70 words each.*
- vi. Question Nos. 13-15 and 25-29 are long-answer questions carrying 6 marks each. Answer to them should not normally exceed 100 words each.*
- vii. Answers should be brief and to the point and the above word limit be adhered to as far as possible.*

SECTION: A (50 Marks)

Q.1. Which of the following statements is correct? 1

- (a) An economy always operates on PPC. (b) Only scare goods command price.
 (c) The part of economics which deals with the problem of allocation of resources is known as macroeconomics.
 (d) PP curve is concave shaped because of decreasing marginal opportunity cost.

Q.2. A leftwards shift in demand curve of a commodity may be caused by: 1

- (a) Increase in consumers income (b) fall in price of complementary goods
 (c) Fall in price of substitute goods (d) none of these.

Q.3 If close substitutes of a product are readily available in the market, its price elasticity of demand will be: 1

- (a) Greater than one (b) less than one (c) equal to one (d) infinite

Q.4. How will AP react when MP is greater than AP? 1

- (a) AP will rise. (b) AP will fall but it will remain positive. (c) AP will be constant and will be at its maximum point. (d) None of these.

Q.5 When the price of a good changes to rs 11 per unit, the consumers demand falls from 11 units to 7units. The price elasticity of demand is (-) 1. What was the price before change? Use expenditure approach of price elasticity of demand to answer this question. 3

Q.6 Giving reasons, state whether the following statements are true or false: 3

- (i) Average cost falls only when marginal cost falls.
 (ii) The difference between average total cost and average variable cost is constant.
 (iii) As output is increased, the difference between average total cost and average variable cost falls and ultimately becomes zero.

Q.7.Distinguished between change in quantity demanded and change in demand. (Any three) 3

Q.8 State the relation between marginal revenue and average revenue when a firm is able to sell more quantity of output only by lowering the price. 3

OR

State the relation between marginal revenue and average revenue when a firm is able to sell more quantity of output at the same price. 3

Q.9 what is marginal opportunity cost? Why does it increase? 4

Q.10 Suppose marginal utility from consuming 2 units of ice-cream for Ram is 18 utils. And marginal utility of money for his is 4 utils. Ice-cream sells for rs 5. Is the condition of equilibrium satisfied at this level of consumption? If no, what should he do to attain the position of equilibrium? 4

OR

Distinguish between Diminishing Marginal Utility and Diminishing Marginal Rate of Substitution.4

Q.11 Complete the following table- 4

Output	AVC	TC	MC
1	-	60	20
2	18	-	-
3	-	-	18
4	20	120	-
5	22	-	-

Q.12 Explain the effects of fall in income of the buyers of a commodity on its demand. Use diagram.4

Q.13 A consumer consumes only two goods x and y. At a consumption level of these two goods, he finds that the ratio of marginal utility to price in case of x is higher than in case of y. Explain the reaction of the consumer.6

Q.14 Explain the following:6

- Why is an indifference curve convex to the origin?
- Why does a higher indifference curve represent a higher level of satisfaction?

OR

What is consumer equilibrium using IC approach? Explain the reaction of the consumer when Marginal Rate of Substitution is higher than the ratio of prices.

Q.15 Explain the likely behavior of total product and marginal product when only one input is increased while all other inputs are kept unchanged.6

SECTION: B (50 Marks)

Q.16 Following is an example of final good- 1

- Flour used by baker in making biscuits.
- Unsold stock of goods lying with the producers or sellers.
- Tyres purchased by a transport company.
- Mobile sets purchased by a mobile dealer.

Q.17. Which of the following statement is correct? 1

- Money supply includes cash reserves of banks.
- Supply of money is a flow variable.
- Supply of money refers to the stock of money held by the public at a point of time.
- High powered money includes only currency held by the public.

Q.18 In a two sector economy, the components of aggregate demand are: 1

- Investment expenditure and Govt. expenditure.
- Consumption and investment
- Private expenditure and Govt. expenditure.
- Domestic expenditure and net exports.

Q.19. Circular flow of income: 1

- Gives information about injections and leakages from the flow of income.
- Enables estimation of national income.
- Provides knowledge of interdependence among different sectors.
- all of these

Q.20 Distinguish between money flow and real flow. Why the flow of income is called circular flow of income? 3

Q.21 Define a central bank. How is quantitative credit control different from qualitative credit control? 3

OR

Explain the following functions of the central bank: 3

- Bank of issue
- Bankers bank

Q.22 Complete the following table- 3

INCOME	MPC	SAVING	APS
0	-	-90	-
100	0.6	-	-
200	0.6	-	-
300	0.6	-	-

Q.23 Distinguished between average propensity to consume and marginal propensity to consume. The value of which of these two can be greater than one and when? 3

Q.24 Giving reasons, classify the following into intermediate and final goods: 4

(a) Machines purchased by a dealer of machines.

(b) A car purchased by a household.

OR

Distinguish between consumer goods and capital goods. Which of these are final goods?

Q.25 Explain the process of money creation by the commercial banks with the help of a numerical example. 6

Q.26 What is a barter system? How does money overcome the limitations of a barter system? 6

Q.27 From the following data calculates the value added by Firm A and Firm B. 6

S.No.	Items	(Rs. In Crores)
1.	Closing stock of Firm A	20
2.	Closing stock of firm B	15
3.	Opening stock of Firm A	5
4.	Opening stock of Firm B	10
5.	Sales by Firm A	300
6.	Purchases by Firm A from Firm B	100
7.	Purchases by Firm B from Firm A	80
8.	Sales by Firm B	250
9.	Import of raw material by Firm A	50
10.	Exports by Firm B	30
11.	Export by Firm A	40
12.	Depreciation	50

Q.28 Calculate (a) private income, and (b) personal disposable income from the following data: 6

	Items	Rs-in crores
(i)	Income from property and entrepreneurship accruing to the government administrative departments.	500
(ii)	Savings of non-departmental enterprises.	100
(iii)	Corporate tax.	80
(iv)	Income from domestic product accruing to private sector.	4,500
(v)	Current transfer form government administrative departments.	200
(vi)	Net factor income from abroad.	(-)50
(vii)	Direct personal taxes.	150

(viii)	Indirect tax.	220
(ix)	Current transfers from rest of the world.	80
(x)	Savings of private corporate sector.	500

OR

Calculate GDP_{MP} from the following data:-

S.No.	Items	(Rs. In Crores)
1	Personal final consumption expenditure	120000
2	NFIA	450
3	Depreciation	10000
4	Indirect Taxes	15000
5	Subsidies	3500
6	Current transfer from rest of the world	2500
7	Income from property and entrepreneurship accruing to government administrative departments	3400
8	Savings of non-departmental enterprises	250
9	National debt interest	1350
10	Current transfers from government	3800
11	Saving of private corporate sector	700
12	Dividends	30
13	Corporation Tax	1200
14	Direct taxes paid by households	3,200
15	Personal savings	22000

Q-29 Calculate:-

(a) GDP_{MP}

(b) Factor income from abroad from the following data:-

S.No.	Items	(Rs. In Crores)
1.	Profits	500
2.	Exports	40
3.	Compensation of employers	15,00
4.	Gross national product at factor cost	2,800
5.	Net current transfers from rest of the world	90
6.	Rent	300
7.	Interest	400
8.	Factor income to abroad	120
9.	Net indirect Tax	250
10.	Net domestic capital formation	650
11.	Gross fixed capital formation	700
12.	Change in stock	50