

Economics (030)

Time allowed: 3 hours

Maximum Marks: 100

General Instructions:

- i. *All questions in both the sections are compulsory.*
- ii. *Marks for questions are indicated against each question.*
- iii. *Questions No. 1 – 5 and 15 – 20 are very short-answer questions carrying 1 mark each. They are required to be answered in one sentence each.*
- iv. *Questions No. 6 – 8 and 21 – 23 are short-answer questions carrying 3 marks each. Answer to them should normally not exceed 60 words each.*
- v. *Questions No. 9 – 11 and 24 – 26 are also short-answer questions carrying 4 marks each. Answer to them should normally not exceed 70 words each.*
- vi. *Questions No. 12 – 15 and 27 – 30 are long -answer questions carrying 6 marks each. Answer to them should normally not exceed 100 words each.*
- vii. *Answer should be brief and to the point and the above word limits should be adhered to as far as possible.*

Section –A (Microeconomics)

1	Suppose a consumer can afford to buy 8 units of good 1 and 10 units of good 2 if he spends his entire income. The price of good 1 is Rs. 5 per units and the price of good 2 is Rs. 11 per unit. How much is the consumer's income?	1
2	In Indian economy we have a large size of population and labour force.in this situation, what kind of production technique would be more appropriate for Indian economy. a. Capital intensive b. Labour intensive c. Neither a nor b d. Either a or b	1
3	Higher taxation on commodities having inelastic demand yields more revenue. Should the finance minister increase taxation on such commodities? Answer with reason.	1
4	Production possibility curve will shift to the right when there is a / an a. Advancement of technology for the production of commodity X b. Increase in availability of resources c. Decrease in availability of resources d. None of these	1
5	A firm is faced with a downward sloping demand curve. As it sells more quantity its TR will a. Always increase b. Always fall c. Remain unchanged d. Any of the above	1
6	What does the AFC curve look like? Why does it looks?	3
7	Suppose the price at which equilibrium is attained is above the minimum average cost of the firms constituting the market. Now if we allow for free entry and exit of firms, how will the market price adjust to it? OR Briefly discuss the adverse effects of price ceiling and rationing	3
8	What is the aim behind granting patent rights?	3
9	If $\Delta Q/Q = (-) 0.6$ and price elasticity is $(-) 0.75$, calculate the percentage change in price. Also calculate the new expenditure if initial expenditure was Rs. 500 at the price of Rs. 20	4
10	What is a budget line? What does the point on it indicate in terms of prices? OR	4

	A consumer consumes only two goods A and B. her money income is Rs. 24 and the price of good A and B are Rs. 4 and Rs. 2 respectively. Answer the following questions: a) Can the consumer afford a bundle 4X and 5 Y? Explain. b) What will be the MRS_{xy} when consumer is in equilibrium? explain													
11	Explain with the help of a diagram the situation of inefficient and efficient utilization of resources in an economy. Use Production Possibility Curve	4												
12	a) The demand curves facing a seller under condition of perfect competition, monopolistic competition and monopoly differ in their price elasticities of demand. Draw demand curves of all the three market situations in a single diagram. b) Distinguish between increase in quantity supplied and increase in supply. Use diagram.	3+3												
13	a) Distinguish between implicit cost and explicit cost with an example. b) Identify the three phases of the law of variable proportions from the following and also give reason behind each phase. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Units of Variable Input</th> <th>TPP</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>10</td> </tr> <tr> <td>2</td> <td>22</td> </tr> <tr> <td>3</td> <td>30</td> </tr> <tr> <td>4</td> <td>35</td> </tr> <tr> <td>5</td> <td>30</td> </tr> </tbody> </table>	Units of Variable Input	TPP	1	10	2	22	3	30	4	35	5	30	2+4
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14	For a consumer to be in equilibrium, why must the marginal rate of substitution be equal to the ratio of prices of the two goods?	6												
15	Suppose the demand and supply curves of a salt are given by $q_D = 1000 - P$ $q_S = 700 + 2p$ a) Find the equilibrium price and quantity. b) Now suppose that the price of an inputs of an input used to produce salt has increased so that the new supply curve is $q_S = 400 + 2P$. How does the equilibrium price and quantity change? c) Suppose the government has imposed a tax of Rs. 3 per unit on salt of salt. How does it affect the equilibrium price and quantity?	6												

Section – B (Macroeconomics)

16	Which one of the following is not injections in the circular flow of income? a. Investment b. Saving c. Government spending d. Exports	1
17	Full bodied money is that money, whose money value and commodity value are : a. Equal b. Proportionately equal c. Different d. None of these	1
18	In government budget primary deficit is Rs. 10000 crores, interest payment is Rs. 5000 crores, then fiscal deficit is Rs. _____ crores a. 15000 b. 16000 c. 18000 d. 5000	1
19	Now a days the value of rupee in terms of dollar is falling very fast. Should central bank intervene in the foreign exchange rate?	1
20	According to Adjustable Peg System of exchange rate: a. Different currencies were pegged to one currency.(US dollar)	1

	<p>b. US dollar was assigned gold value at a fixed price c. Parity between two currencies was determined by the quantity of gold contained in term d. All of these.</p>																																		
21	Are the concept of demand for domestic goods and domestic demand for goods the same?	3																																	
22	<p>The consumption function of an economy is given as: $C = 60 + 0.6Y$. draw a diagram showing consumption expenditure corresponding to income levels of 0, 100, 200, 300 and 400 (Values of income and autonomous consumption are in Rs. crores)</p> <p style="text-align: center;">OR</p> <p>Explain Paradox of thrift.</p>	3																																	
23	Explain determination of equilibrium level of income in an economy through the two alternative approaches through the two alternative approaches. Use diagram	3																																	
24	The net domestic product at market price of an economy is Rs. 4000 cr. The capital stock worth Rs. 4000 cr and it depreciates at the rate of 10 % per annum. Indirect taxes amount to Rs. 150 cr, Subsidies amount to Rs. 20 cr and to rest of the world is Rs. 600 cr. Find out the gross national product at factor cost.	4																																	
25	Give the difference between 'below the line items' and 'above the line items'. Give an example of each.	4																																	
26	<p>Why should the aggregate final expenditure of an economy be equal to the aggregate factor payment? Explain.</p> <p style="text-align: center;">OR</p> <p>What are non-monetary exchanges? Give an examples. Explain their impact on use of gross domestic product as an index of welfare of the people.</p>	4																																	
27	In India, there are extreme inequalities of income and wealth and a majority of population live below the poverty line. How can budgetary policy help in solving this problem?	6																																	
28	<p>Draw a straight line consumption curve from it, derive a saving curve explaining the process. Show on this diagram.</p> <p>a) The level of income at which APC is equal to One b) The level of income at which APS is negative</p>	6																																	
29	<p>a) Explain the open market operations method of credit control used by a central bank b) Explain the effect of an increase in bank rate on credit creation by commercial bank.</p>	6																																	
30	<p>Find out: a) gross national product at market price; b) Net current Transfer to abroad.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>S.No.</th> <th>Particular</th> <th>In Crores</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Private final consumption expenditure</td> <td>1000</td> </tr> <tr> <td>2</td> <td>Depreciation</td> <td>100</td> </tr> <tr> <td>3</td> <td>Net National Disposable income</td> <td>1500</td> </tr> <tr> <td>4</td> <td>Closing stock</td> <td>20</td> </tr> <tr> <td>5</td> <td>Govt. final consumption expenditure</td> <td>300</td> </tr> <tr> <td>6</td> <td>Net indirect tax</td> <td>50</td> </tr> <tr> <td>7</td> <td>Opening stock</td> <td>20</td> </tr> <tr> <td>8</td> <td>Net domestic fixed capital formation</td> <td>110</td> </tr> <tr> <td>9</td> <td>Net exports</td> <td>15</td> </tr> <tr> <td>10</td> <td>Net factor income to abroad</td> <td>(-) 10</td> </tr> </tbody> </table> <p style="text-align: center;">OR</p> <p>Explain the concept of 'real income'. Explain why, due to the presence of externalities, real national income in itself cannot be treated as a true index of welfare.</p>	S.No.	Particular	In Crores	1	Private final consumption expenditure	1000	2	Depreciation	100	3	Net National Disposable income	1500	4	Closing stock	20	5	Govt. final consumption expenditure	300	6	Net indirect tax	50	7	Opening stock	20	8	Net domestic fixed capital formation	110	9	Net exports	15	10	Net factor income to abroad	(-) 10	6
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