ECONOMICS

(Maximum Marks: 80)

(Time allowed: Three hours)

*(Candidates are allowed additional 15 minutes for **only** reading the paper.*

They must NOT start writing during this time.)

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*Answer **Question 1 (compulsory) from Part I** and **five** questions from **Part II**.*

The intended marks for questions or parts of questions are given in brackets [ ].

PART I (20 Marks)

*Answer **all** questions.*

Question 1

Answer briefly *each* of the following questions **(i)** to **(x)**: **[10×2]**

(i) What is meant by *ex-ante demand* and *ex-post demand?*

(ii) What is short run production function? Explain how is short run production function different from long run production function.

(iii) Explain *one* main feature of each:

(a) Monopsony market.

(b) Monopoly market.

(iv) How is *elasticity of supply* different from *supply of a commodity*?

(v) What is *direct tax?*

(vi) Give *two* differences between *time deposit* and *demand deposit.*

(vii) Explain with the help of an example, the problem of double counting while calculating national income.

(viii) Give a reason for each of the following:

(a) The demand for a good increases when the income of the consumer increases.

(b) X and Y are substitute goods. A rise in the price of X results in a rightward shift of the demand curve of Y.

(ix) Write *any two* differences between *balance of trade* and *balance of payment*.

(x) Explain the shape of MC curve.

PART II (60 Marks)

Answer ***any five*** *questions.*

Question 2

(a) Explain with the help of a diagram the relationship between *total utility* and *marginal utility*. **[3]**

(b) Find the elasticity of demand of x and y on the basis of the demand schedule given below and specify which one is more elastic: **[3]**

Good x		Good y	
Px (Rs.)	Dx (units)	Py (Rs.)	Dy (units)
8	10	8	10
4	12	6	25

(c) Explain *any four* reasons for the demand curve to be downward sloping. **[6]**

Question 3

(a) The difference between AC curve and AVC curve decreases with increase in output but the two curves never touch each other. Justify the statement with the help of a diagram. **[3]**

(b) Explain *any two* characteristics of an indifference curve. **[3]**

(c) Discuss producer's equilibrium in perfect competition, using MR and MC approach. **[6]**

Question 4

(a) Fill the blanks in the table given below: **[3]**

No. of workers	T.P.	A.P.	M.P.
1	--	150	--
2	230	--	--
3	--	--	120

(b) What is meant by *floor price?* Explain its impact on producers. **[3]**

(c) Explain *any four* features of oligopoly market. **[6]**

Question 5

(a) Explain *two* causes of increasing returns to a factor. **[3]**

(b) Differentiate between *real cost* and *money cost* with the help of examples. **[3]**

(c) Discuss *four* determinants of supply of a commodity. **[6]**

Question 6

(a) Explain how fiscal policy measures can be used to reduce excess demand in an economy. **[3]**

(b) Define marginal propensity to consume. How is it different from marginal propensity to save? **[3]**

(c) Explain how equilibrium level of income can be determined with the help of aggregate demand curve and aggregate supply curve. **[6]**

Question 7

(a) What is meant by budget of the government? Give *two* differences between *revenue expenditure* and *capital expenditure*. **[3]**

(b) Discuss the following methods of debt redemption: **[3]**

(i) Refunding

(ii) Debt conversion

(c) Explain *four* measures to correct disequilibrium in the balance of payment. **[6]**

Question 8

(a) What is meant by *repo-rate* and reverse *repo-rate?* **[3]**

(b) Explain the following contingent functions of money: **[3]**

(i) Employment of factor inputs.

(ii) Basis of credit system.

(c) Discuss *four* qualitative measures of the Central Bank to control credit in the economy. **[6]**

Question 9

(a) Distinguish between *real GDP* and *nominal GDP*. Which of these is a better indicator of economic welfare and why? **[3]**

(b) Draw a diagram to show the circular flow of income in a two sector model with leakage and injection. **[3]**

(c) Calculate GNP at FC from the following data by using income method and expenditure method: **[6]**

	Item	₹ in crores
(i)	Operating surplus	600
(ii)	Exports	30
(iii)	Imports	60
(iv)	Private final consumption expenditure	1000
(v)	Net indirect tax	60
(vi)	Compensation of employees	900
(vii)	Mixed income of self employed	160
(viii)	Gross domestic capital formations	330
(ix)	Depreciation	30
(x)	Net factor income from abroad	(-20)
(xi)	Govt. final consumption expenditure	450