

ECONOMICS

Maximum Marks: 80

Time Allotted: Three Hours

Reading Time: Additional Fifteen Minutes

Instructions to Candidates

1. You are allowed an **additional fifteen minutes** for **only** reading the question paper.
2. You must **NOT** start writing during reading time.
3. This question paper has **11 printed pages and one blank page**.
4. There are **thirteen** questions in the paper. All questions are compulsory.
5. This paper is divided into **three sections: A, B and C**.
6. **Section A** has **sixteen subparts** which are very short answer questions. Each question carries 1 mark.
7. While attempting **Multiple Choice Questions** in Section A, you are required to **write only ONE option as the answer**.
8. **Section B** has **eight questions** which are short answer questions. Each question carries 4 marks.
9. **Section C** has **four questions** which are long answer questions. Each question carries 8 marks.
10. **Internal choices** have been provided in **two questions in Section B** and in **one question in Section C**.
11. The intended marks for questions are given in brackets [].

Instruction to Supervising Examiner

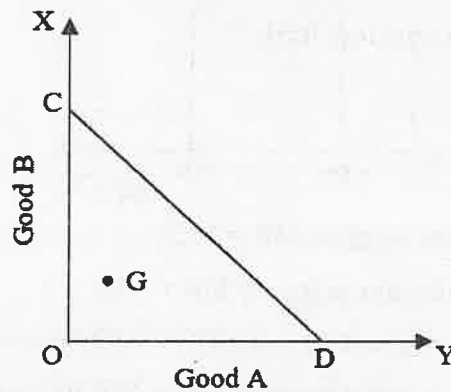
1. Kindly read **aloud** the Instructions given on page 1 to all the candidates present in the examination hall.
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SECTION A – 16 MARKS

Question 1

(i)

[1]

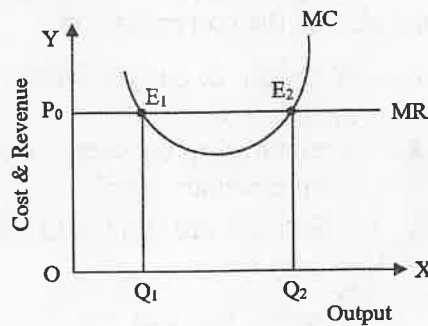


In the diagram given above, CD is the budget line. What does the point G represent?

- (a) Combination of two goods on which a consumer spends her entire money income
 - (b) Combination of two goods on which a consumer spends less than her money income
 - (c) Combination of two goods on which a consumer spends greater than her money income
 - (d) Consumer spends her entire money income either on Good A or Good B
- (ii) Abhinav derives total utility of 11 utils after consuming 4 mangoes and 9 utils after consuming 6 mangoes. [1]
- What is his marginal utility on consuming the 6th mango?
- (a) 1 util
 - (b) 21 utils
 - (c) 10 utils
 - (d) -1 util
- (iii) Law of Variable Proportions is **NOT** applicable when: [1]
- (a) all factor inputs increase in the same proportion.
 - (b) the time period is short.
 - (c) all the units of variable input are equally efficient.
 - (d) technology remains constant.

(iv) Refer to the diagram given below and choose the correct statement.

[1]



- (a) E_1 is the equilibrium point as $MR = MC$.
 (b) E_1 and E_2 are equilibrium points as $MR = MC$.
 (c) E_2 is the equilibrium point because $MC > MR$ beyond this point.
 (d) E_2 is the equilibrium point because $MC < MR$ beyond this point.
- (v) Identify the correct statement with reference to the measures of money supply. [1]

- (a) M_3 includes M_2 .
 (b) M_3 includes Time Deposits with commercial banks.
 (c) M_1 includes Time Deposits with commercial banks.
 (d) M_2 includes National Saving Certificates.

- (vi) Suppose the total receipts are ₹ 1045 Cr. and total payments are ₹ 1526 Cr. in the Balance of Payments account of India. [1]
 In the above context, which one of the following can improve the Balance of Payments of India?

- (a) Indian tourists buying souvenirs in the foreign countries.
 (b) Foreign Institutional Investor (FII) buying shares of Indian companies.
 (c) Indian students joining foreign universities for higher education.
 (d) Value of the US dollar falling against the Indian rupee.

- (vii) Which one of the following scenarios correctly represents a Degressive tax system? [1]

- (a) Ruhi paid income tax in three consecutive years at the rate of 10% on her income of ₹ 10,000, 15% on her income of ₹ 20,000 and 15% on her income of ₹ 30,000.
 (b) Goods and Service tax on gold ornaments is 3% and 18% on fine dining in restaurants.
 (c) Roshan was promoted to the position of Senior Manager and received a raise in his income. But he continued paying 10% of his income as tax.
 (d) Suhana paid TDS at a higher rate on her increased interest income in the current year as compared to the previous year.

- (viii) Given below are two statements marked Assertion and Reason. Read the statements carefully and choose the correct option. [1]

Assertion: Rise in price of burger at Burger Bliss raises the demand for burgers at Burger Heaven.

Reason: There is a negative relationship between the demand for a good and the price of the complementary good.

- (a) Both Assertion and Reason are true and Reason is the correct explanation of Assertion.
 - (b) Both Assertion and Reason are true but Reason is not the correct explanation of Assertion.
 - (c) Assertion is true and Reason is false.
 - (d) Both Assertion and Reason are false.
- (ix) Given below are two statements marked Assertion and Reason. Read the statements carefully and choose the correct option. [1]

Assertion: Commercial banks can deposit their surplus funds with RBI.

Reason: A high reverse repo rate enables the commercial banks to earn an income.

- (a) Both Assertion and Reason are true and Reason is the correct explanation of Assertion.
 - (b) Both Assertion and Reason are true but Reason is not the correct explanation of Assertion.
 - (c) Assertion is true and Reason is false.
 - (d) Both Assertion and Reason are false.
- (x) With the help of a diagram, illustrate the effect of an increase in the price of the product shown in **Image A** on the demand for the product shown in **Image B**. [1]



Image A

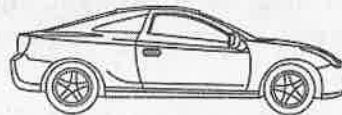


Image B

- (xi) The long run average cost curve is U shaped due to the Law of Variable Proportions. Defend or refute the statement with a reason. [1]
- (xii) Amit withdrew ₹ 50,000 from his savings to invest in his own business. He bought a Xerox machine for ₹ 30,000 for his office the same day. Identify the explicit cost and the implicit cost in the above situation. [1]
- (xiii) If Indian companies raise the wages in accordance with the Minimum Wage Act, it will lead to cost push inflation. Give a reason to support this statement. [1]
- (xiv) Sagarika wants to buy a car worth ₹ 10 lakhs. She has only ₹ 3 lakhs and plans to borrow the remaining amount from the bank. [1]
- Name and briefly explain the selective credit control measure that enables Sagarika to get maximum loan from the bank.

- (xv) Why does the supply of foreign exchange increase with an increase in the foreign exchange rate? [1]
- (xvi) What is meant by *primary deficit*? [1]

SECTION B – 32 MARKS

Question 2

- (i) Ibrahim works as a mechanic and earns ₹ 5000 per month. To increase his family income, his wife and parents also begin to work. Over a period of time when his income increases to ₹ 20,000, Ibrahim asks his family members not to work and enjoy leisure. [2]
- The phenomenon indicated in this situation does not conform to the Law of Supply. Give a reason to support this statement. Draw the supply curve based on the given situation.
- (ii) When the price of potato chips falls from ₹ 40 to ₹ 20 per unit, its demand increases by 20 units. If the price elasticity of demand is $(-)$ 0.5, calculate the quantity demanded of potato chips at ₹ 20. [2]

Question 3

- (i) Study the schedule given below and explain the relation between Average Revenue and Marginal Revenue by giving a suitable reason. [2]

Units	Price	TR	AR	MR
1	15	15	15	15
2	14	28	14	13
3	13	39	13	11

- (ii) With the help of a diagram, illustrate the effect of a simultaneous and proportional decrease in demand and supply on equilibrium price and quantity. [2]

Question 4

- (i) Why is fixed cost a short run phenomenon? Draw the Total Fixed Cost curve. [2]
- (ii) How do Total Product, Average Product and Marginal Product behave under the Law of Increasing Returns to a Factor? Briefly explain *one* reason for the operation of this law. [2]

Question 5

- (i) Laxman & Sons is a leading producer of perfume among many other firms. Recently, it introduced a new fragrance and offered gift vouchers to the customers who bought this product. [2]
Identify the form of market and explain the feature implied in this situation.
- (ii) Briefly discuss the situations when a perfectly competitive firm continues to produce even after facing losses in the short run. [2]

OR

- (i) The main occupation of the villagers in a village is beekeeping. The villagers sell their produce only to firm X. [2]
(a) Identify the type of market prevalent here.
(b) Is it a buyer's market or a seller's market? Give a reason.
- (ii) Monopolistic competition is a blend of perfect competition and monopoly. [2]
Discuss the statement by giving *two* reasons.

Question 6

Aditi deposits ₹ 1000 in a bank which leads to an increase in money supply in the economy to the extent of ₹ 4000. Name and explain the process of this increase in money supply. [4]

Question 7

- (i) The Indian rupee fell 14 paisa to 83.91 against the US dollar on Wednesday amid outflow of foreign capital and volatile domestic equity markets. [2]
(Source(edited): *The Pioneer, New Delhi, August 22, 2024*)
The above situation would lead to a surplus in Balance of Payments account of India. Defend or refute the statement by giving a reason.
- (ii) The government initiated the 'Make in India' programme to attract global investment in the Indian economy. Explain the impact of this programme on the Balance of Payments account of India. [2]

OR

- (i) In July 2024, India's retail inflation rate was 3.54%. Though it is falling yet it continues to persist. [2]
Explain how this would affect India's Balance of Payments.
- (ii) Tata Motors' purchase of iconic British luxury car maker Jaguar Land Rover (\$2.3 billion) has proved to be a master stroke. [2]
(Source (edited): <https://economictimes.indiatimes.com>)
State whether the above transaction will be recorded under the Debit side or the Credit side of Balance of Payments. Give a reason.

Question 8

- (i) With reference to government budget, classify the following as Revenue receipt or Capital receipt. Give a valid reason for each. [2]
- (a) Financial help from a Multinational Corporation (MNC) for victims in a flood affected area.
- (b) Sale of shares of a Public Sector Undertaking (PSU) to a private company.
- (ii) Budget 2024 outlined the sources of government revenue which comprised 19% from Income Tax, 18% from Goods and Service Tax and the remaining from borrowings. [2]

(Source (edited): Business Standard, New Delhi)

Categorise the *two* types of taxes mentioned above. State *any one* difference between them.

Question 9

- (i) Under the Gruha Lakshmi Scheme in Karnataka, the state government provides ₹ 2000 monthly assistance to head female member in each family. Will this receipt be a part of National Income accounting? Explain. [2]
- (ii) State whether the following are True or False. Give a reason for each. [2]
- (a) In a closed economy, GDP is always equal to GNP.
- (b) Money received by an Indian cricketer as Man of the Match does not contribute to the National Income of India.

SECTION C – 32 MARKS

Question 10

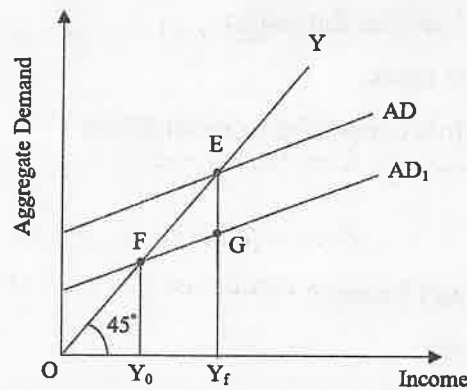
- (i) The price of chocolates increased during the Valentine week in February leading to an increase in the supply at a greater rate. [2]
- Identify the price elasticity of supply and illustrate it on a diagram.
- (ii) Robert consumes commodities X and Y. The price of commodity X is ₹ 2 and the price of commodity Y is ₹ 1. He has decided to spend ₹ 11 on these two commodities.
- (a) Using the following schedule, identify the combination of the two commodities X and Y that gives maximum satisfaction to Robert. [4]

Units	1	2	3	4	5	6
MU _x	16	14	12	10	8	6
MU _y	10	9	8	7	6	5

- (b) State the underlying law related to the schedule given above. [2]
- Mention the equilibrium condition.

Question 11

- (i) What is *investment multiplier*? Briefly explain how it is related to Marginal Propensity to Consume (MPC). [2]
- (ii) Refer to the diagram given below and answer the questions that follow.



- (a) What does the gap EG represent? Explain. [2]
- (b) Recommend *any two* fiscal measures and *any two* monetary measures to combat the situation referred to in subpart (a). [4]

Question 12

- (i) Discuss the problem of double counting with the help of an example. How can it be solved? [4]
- (ii) Calculate NDP_{FC} and NNP_{FC} on the basis of the following information. [4]

S.No.	Items	₹ (in crores)
(a)	Value of output of primary sector	1300
(b)	Value of output of other sectors	700
(c)	Raw materials purchased by primary sector	800
(d)	Raw materials purchased by the other sectors	600
(e)	Consumption of fixed capital	85
(f)	Subsidies	40
(g)	Indirect taxes	120
(h)	Factor income paid to the rest of the world	30
(i)	Factor income received from rest of the world	15

OR

- (i) Discuss *two* reasons for **NOT** considering GDP a true indicator of economic welfare. [4]
- (ii) Calculate GDP_{MP} and National Income from the following information. [4]

S.No.	Items	₹ (in crores)
(a)	Net fixed capital formation	500
(b)	Change in stock	60
(c)	Private final consumption expenditure	2500
(d)	Rent	250
(e)	Interest	200
(f)	Net Indirect Taxes	500
(g)	Net exports	30
(h)	Government final consumption expenditure	700
(i)	Net factor income from abroad	(-) 30
(j)	Consumption of fixed capital	120

Question 13

Read the passage given below and answer the questions that follow

In May 2016, the Ministry of Petroleum and Natural Gas (MOPNG), introduced the 'Pradhan Mantri Ujjwala Yojana' (PMUY) as a flagship scheme with an objective to make clean cooking fuel such as LPG available to the rural and deprived households. Under the Union Budget for the Financial year 2021-22, provision for release of additional 1 Crore LPG connections was made. In this phase, special facility was given to migrant families.

LPG belongs to a market form where small number of competitors produce a relatively homogenous product and are aware of one another's presence. To survive in the market, they have to match one another's marketing strategy which sometimes influences the prices of their own products.

(Source (edited): www.myscheme.gov.in)

- (i) Identify the form of market referred to in the above passage. Name *any two* industries which come under the same market form. [2]
- (ii) Explain *any two* important features of the market form referred to in the passage. [2]
- (iii) Briefly discuss the nature of demand curve in this form of market. [2]

(iv) Distinguish between perfect competition and imperfect competition on the following basis: [2]

- (a) Nature of product
- (b) Nature of demand curve

