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 **all** questions in Section A, Section B and Section C.*
*Section A consists of **objective / very short answer** questions.*
*Section B consists of **short** answer questions.*
*Section C consists of **long** answer questions.*
The intended marks for questions or parts of questions are given in brackets [ ].

SECTION A – 16 MARKS

Question 1

(i) The aggregate utility obtained from the consumption of a specific unit of a commodity is called: [1]

    (a) Marginal utility.

    (b) Total utility.

    (c) Maximum utility.

    (d) Additional utility.

(ii) If the price of a commodity and total expenditure on that commodity change in the same direction, the price elasticity of demand will be: [1]

    (a) greater than one.

    (b) less than one.

    (c) equal to zero.

    (d) equal to infinity.

This paper consists of 7 printed pages and one blank page.

(iii) Which one of the following is **NOT** a *ceteris paribus* assumption of the Law of [1] Supply?

    (a) Indirect taxes and subsidies on the firm's products remain constant.

    (b) Technology used by the firm in production remains constant.

    (c) Prices of the factors of production paid by the firm remain constant.

    (d) Price of the commodity produced by the firm remains constant.

(iv) The figure given below shows the relation between the quantity demanded for the [1] good X and the price of the good Z. What type of goods are X and Z?
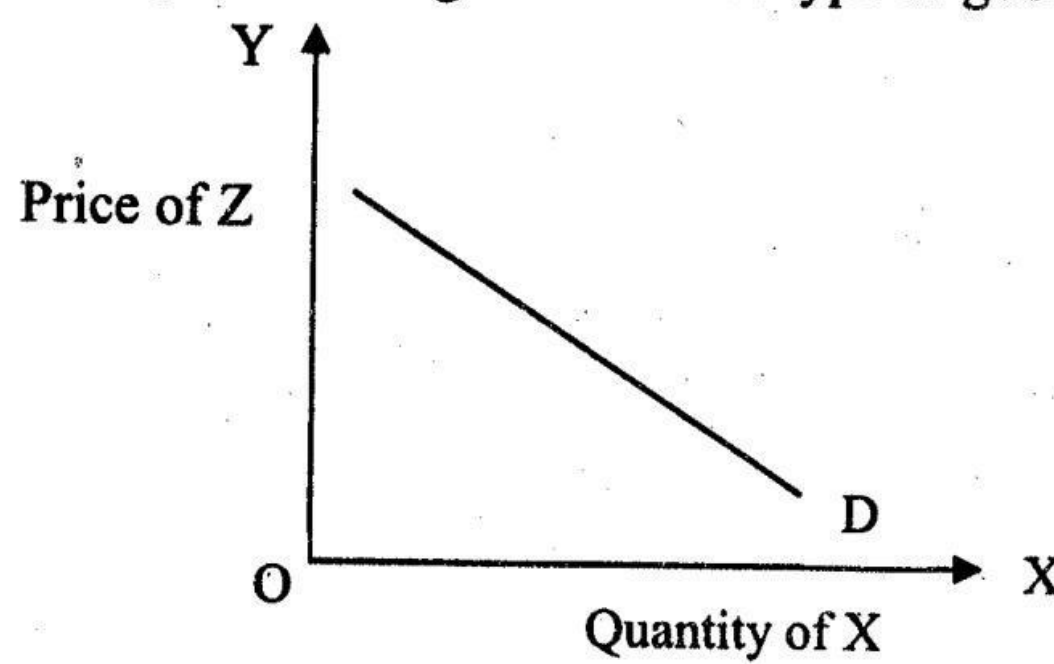
    (a) Unrelated goods

    (b) Substitute goods

    (c) Complementary goods

    (d) Giffen goods

(v) Which one of the following will cause a rise in the equilibrium price of rice when [1] the demand for rice remains the same?

    (a) Government subsidy to rice farmers.

    (b) Successful advertising campaign for rice.

    (c) Improved rice farming methods.

    (d) Poor weather conditions.

(vi) When the Marginal Product turns negative, Total Product will: [1]

    (a) fall.

    (b) rise.

    (c) remain constant.

    (d) be zero.

(vii) *Induced investment expenditure* refers to: [1]

    (a)   the investment made by a firm.

    (b)   the expenditure, made by a firm, that remains constant.

    (c)   the investment made in the economy that remains unaltered.

    (d)   total investment expenditure which changes with change in national income.

(viii) With reference to money, which one of the following statements is correct? [1]

    (a)   All paper currency is *inconvertible* money.

    (b)   Cheque is also a fiat money.

    (c)   Money cannot *transfer value* from one person to another.

    (d) $M_2 = C + DD + OD$

(ix) Why is the AVC curve U-shaped? [1]

(x) Mention *any one* difference between *impact of tax* and *incidence of tax*. [1]

(xi) State whether the following is True or False. [1]

    Rate of interest on savings account is more than that on recurring account.

(xii) Complete the following table: [1]

INCOME (Y)	SAVING (S)	APC
0	(-)12	
20	6	

(xiii) What is meant by *sinking fund*? [1]

(xiv) Give the meaning of *deficient demand*. [1]

(xv) Why is effective demand also known as *expost demand*? [1]

(xvi) What is meant by *accounting cost*? [1]

SECTION B – 32 MARKS

Question 2

(i) The price of a mobile handset has risen in the market. But the dealers have not been able to increase the supply proportionately. [2]

What will be the price elasticity of supply for the mobile handset? Draw the supply curve to indicate the type of elasticity.

(ii) The price of a good decreases from ₹100 to ₹80 per unit. If the price elasticity of demand for the good is 2 and the original quantity demanded is 30 units, calculate the new quantity demanded. [2]

Question 3

(i) Calculate *Total variable cost* and *Marginal cost* from the data given below. [2]

Output (units)	0	1	2	3
Total cost	40	60	78	97

(ii) Give *any two* differences between *returns to a factor* and *returns to scale*. [2]

Question 4 [4]

Explain Price Ceiling with the help of a diagram.

Question 5

(i) Under Perfect Competition, a firm will enjoy normal profit in the long run even if it enjoys supernormal profit in the short run. Explain. [2]

(ii) What is meant by *break-even point*? Draw a well labelled diagram to show the break-even point. [2]

OR

(i) Explain the short run equilibrium of a firm facing losses under Perfect Competition. [4]

Question 6

(i)   State *any two* secondary functions of money.   **[2]**

(ii)   Explain Open Market Operations as a measure to control inflation.   **[2]**

Question 7   **[4]**

Explain the concept of *Investment Multiplier* using a diagram.

Question 8   **[4]**

(i)   Per capita income is not considered a good indicator of the economic welfare. Explain this statement by giving *any two* reasons.

OR

(ii)   With the help of appropriate examples, briefly discuss Real GDP and Nominal GDP.

Question 9

(i)   How are *revenue receipts* different from *capital receipts* in a budget? Give *one* example of each receipt.   **[2]**

(ii)   What is *public expenditure*? How does public expenditure on social security schemes enhance production in an economy?   **[2]**

SECTION C – 32 MARKS

Question 10

(i)   State *any two* features of Oligopoly.   **[2]**

(ii)   Discuss *any four* differences between Monopoly and Monopolistic Competition.   **[6]**

Question 11

(i)   Define *income elasticity of demand*. When can it be negative?   [2]

(ii) With the help of a diagram, explain how the consumer will attain equilibrium on   [6]
      consumption of a single commodity at a given price.

OR

(i)   Briefly explain *any two* exceptions to the Law of Supply.   [2]

(ii) Explain *any four* factors affecting Price Elasticity of Demand.   [6]

Question 12

(i)   Briefly discuss *any two* precautions to be taken while calculating national income   [2]
      by the Value Added method.

(ii) Calculate GDP_{mp} and NNP_{fc} by Value Added method from the following data.   [6]

	PARTICULARS	₹ (crores)
(i)	Net value added at factor cost in Primary sector	6000
(ii)	Net value added at factor cost in Secondary sector	4000
(iii)	Net value added at factor cost in Tertiary sector	4500
(iv)	Net Factor Income from Abroad	(-) 50
(v)	Net Indirect taxes	150
(vi)	Intermediate consumption	2500
(vii)	Depreciation	500

OR

(i)   With the help of a diagram, show the circular flow of income in a *two- sector model*   [2]
      with savings and investment.

(ii)   Calculate National Income and Operating Surplus from the following data: [6]

	PARTICULARS	₹ (crores)
(i)	Government final consumption expenditure	900
(ii)	Net factor income from abroad	210
(iii)	Private final consumption expenditure	1000
(iv)	Net domestic capital formation	300
(v)	Profits	320
(vi)	Rent	190
(vii)	Net exports	(-)75
(viii)	Interest	200
(ix)	Net indirect taxes	265

Question 13

Read the passage given below and answer the questions that follow.

A change in the rupee-dollar exchange rate represents the change in external value of rupee. The value of rupee, in terms of dollar, has been falling continuously over a period of time. Since rupee-dollar exchange rate is determined by the demand for and supply of dollars, it is possible that the value of rupee slides further if appropriate measures are not taken.

The Reserve Bank of India, in-charge of both internal and external value of rupee, has repeatedly emphasised on maintaining stability in the foreign exchange market.

(i)   What kind of exchange rate system is being referred to in the passage?   [1]

(ii)   'The value of rupee, in terms of dollar, has been falling continuously over a period of time.' Give the economic term for this phenomenon.   [1]

(iii)   How would this phenomenon affect balance of payments?   [2]

(iv)   Explain the role of Reserve Bank of India, as a custodian of foreign exchange.   [2]

(v)   Suggest *any two* measures to correct adverse Balance of Payments.   [2]