ECONOMICS

(Three hours)

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

They must NOT start writing during this time.)

----

*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)   Define *marginal utility*.   When can it be negative?

(ii)   What is meant by *production function?*

(iii)   Name the market where *average revenue* is equal to *marginal revenue*. Give a
         reason for your answer.

(iv)   Give *one* difference between *accounting cost* and *opportunity cost*.

(v)   What is the reason for an indeterminate demand curve under Oligopoly?

(vi)   What is meant by *propensity to consume?*

(vii)   Explain *discounting bills of exchange* as one of the functions of the banks.

(viii) Differentiate between *revaluation of currency* and *appreciation of currency*.

(ix)   How can *gross domestic product at factor cost* be obtained from *gross national
         product at market price?*

(x)   What is meant by *revenue deficit?* Explain its implication.

This paper consists of 4 printed pages.

Turn over

*Answer **any five** questions.*

Question 2

(a)   Discuss the relationship between income of the consumer and demand for a commodity with respect to *normal goods*, *inferior goods* and *necessities*.   [3]

(b)   Differentiate between *extension of demand* and *increase in demand*, using diagrams.   [3]

(c)   Explain with the help of a diagram the consumer's equilibrium through *utility approach*.   [6]

Question 3

(a)   Discuss *any two* properties of indifference curve.   [3]

(b)   Draw diagrams to show the elasticity of demand when it is: [3]

   (i)   Greater than one

   (ii)   Less than one

   (iii)   Unity

(c)   Explain the geometric method of calculating elasticity of supply.   [6]

Question 4

(a)   Show with the help of diagrams, the effect on equilibrium price and quantity when: [3]

   (i)   There is fall in price of substitute goods.

   (ii)   There is a rise in prices of inputs.

(b)   The cost function of a firm is given below: [3]

Output	0	1	2	3	4
Total cost ₹	100	250	370	550	740

Calculate:

   (i)   AFC

   (ii)   AVC

   (iii)   MC

(c)   Explain the law of variable proportions with the help of a diagram.   [6]

Question 5

(a) Discuss *two* features of monopoly. [3]

(b) Show with the help of a diagram, how a perfectly competitive firm earns normal profit in short run equilibrium. [3]

(c) Explain how a producer can maximise profit by using *MR* and *MC curves*. [6]

Question 6

(a) Find the value of additional investment made by the government, when MPC = 0·5 and increase in income (ΔY) = ₹ 1000. [3]

(b) What is meant by *autonomous consumption?* Explain with the help of a diagram. [3]

(c) Explain the concept of *deficient demand* with the help of aggregate demand and aggregate supply curves. Discuss *one* physical and *one* monetary measure to correct it. [6]

Question 7

(a) Discuss *two* qualitative methods of credit control. [3]

(b) Explain *any two* secondary functions of money. [3]

(c) Discuss the various components of the *current account* of *balance of payment*. [6]

Question 8

(a) Highlight *two* differences between *sales tax* and *income tax*. [3]

(b) What is meant by: [3]

(i) Union budget

(ii) State budget

(c) Explain *four* ways of *Redemption of Public Debt*. [6]

Question 9

(a) With the help of a diagram, show the *circular flow of income* in a *two sector model* with Savings and Investment. [3]

(b) *The growth of Gross Domestic Product is not a real indicator of economic welfare.* Discuss *two* reasons to justify the given statement. [3]

(c) From the following data, calculate GNP$_{MP}$ and NNP$_{FC}$ by Expenditure Method. [6]

		₹ in crores
(i)	Mixed income of self employed	450
(ii)	Compensation of employees	550
(iii)	Private final consumption expenditure	1000
(iv)	Net factor income from abroad	(−) 20
(v)	Net indirect taxes	150
(vi)	Consumption of fixed capital	170
(vii)	Net domestic capital formation	380
(viii)	Net exports	(−) 30
(ix)	Profits	400
(x)	Rent	150
(xi)	Interest	200
(xii)	Government final consumption expenditure	550