Time : 2½ Hours

ECONOMICS

Subject Code

H	6	5	2

Total No. Of Questions : 32 **(Printed Pages : 10)** **Maximum Marks : 80**

INSTRUCTIONS :

(*i*) *All* questions in both sections are compulsory.

(*ii*) Marks for each question are indicated against each to the right.

(*iii*) Question Nos. **1-5** and **17-21** are objective type questions carrying **1** mark each.

(*iv*) Question Nos. **6-9** and **22-25** are short answer type questions carrying **2** marks each. Answers to them should normally not exceed **40** words each.

(*v*) Question Nos. **10-13** and **26-29** are also short answer type questions carrying **3** marks each. Answers to them should normally not exceed **60** words each.

(*vi*) Question Nos. **14-16** and **30-32** are long answer type questions carrying **5** marks each. Answers to them should normally not exceed **100** words each.

(*vii*) Answers should be brief and to the point and the above word limits should be adhered to as far as possible.

(*viii*) Internal choice to be exercised in question Nos. **13**, **16**, **29** and **32**.

(*ix*) Use of **non-scientific** calculators is not allowed.

(*x*) All diagrams should be drawn in **Black** lead pencil only.

Section A

1. The problem of scarcity arises because our resources are 1

   - Sufficient
   - Unlimited
   - Limited
   - Vast

2. If a 40% fall in price is accompanied by a 20% extension in demand, the elasticity of demand is 1

   - 2
   - 0.5
   - 0.2
   - 5

3. When a larger quantity of the commodity is supplied at the same price, it is called 1

   - Increase in supply
   - Decrease in supply
   - Extension of supply
   - Contraction of supply

4. If the proportionate change in factor output is less than the proportionate change in factor input, it is called 1

- Positive returns to scale
- Increasing returns to scale
- Constant returns to scale
- Decreasing returns to scale

5. The form of market in which a large number of sellers sell a homogeneous product at an uniform price is 1

- Oligopoly
- Perfect competition
- Monopoly
- Monopolistic competition

6. A consumer with a budget of ₹ 20 wants to buy two goods that are equally priced at ₹ 5 per unit. 2

   List 4 examples of consumption bundles that the consumer can buy.

7. The table given below, shows the expenditure incurred by firm A on production in the current year. Calculate the following : 2

   (*i*) Variable cost of the firm

(*ii*) Total cost of the firm.

Items	Expenditure (in ₹)
Payment towards daily wages	1,50,000
Payment for purchasing rawmaterial	3,00,000
Cost of machinery	5,00,000

8. Identify the market structure for the following : 2

    (*i*) Railway transport in India

    (*ii*) Auto industry in India

9. Explain *two* features of monopolistic competition. 2

10. Define the following concepts : 3

    (*i*) Giffen goods

    (*ii*) Demand curve

    (*iii*) Perfectly inelastic demand

11. Identify the nature of the goods in the following situations : 3

    (*i*) When the price of good 'A' increases the demand for good 'B' also increases.

    (*ii*) When the income of the consumer decreases, the demand for commodity 'X' also decreases.

    (*iii*) When there is an increase in the price of cars, the demand for petrol decreases.

12. What is meant by the following : 3

(*i*) Production function

(*ii*) Marginal revenue

(*iii*) Average product

13. State and explain the law of variable proportions with the help of a neat, labelled diagram. 3

Or

State and explain the law of supply with the help of a neat, labelled diagram.

14. State and explain the law of Diminishing Marginal Utility with the help of a schedule and a neat labelled diagram. 5

15. Explain expansion and contraction of demand with the help of neat labelled diagrams. 5

16. State and explain with the help of neat labelled diagrams the effect on the equilibrium price when : 5

(*i*) Demand increases and supply remains constant

(*ii*) Demand decreases and supply remains constant

Or

State and explain with the help of neat labelled diagrams the effect on the equilibrium price when :

(*i*) Supply increases and demand remains constant

(*ii*) Supply decreases and demand remains constant

Section B

17. If the income is ₹ 100 lakhs and if consumption is ₹ 60 lakhs, then APC will be 1

- 0.6
- 6
- 1.6
- 0.8

18. The expenditure incurred by households on the purchase of goods and services at different levels of income during a year is called 1

- Private consumption expenditure
- Private investment expenditure
- Net export expenditure
- Government expenditure

19. The annual statement of the estimated receipts and expenditure of the Government of the financial year is known as 1

- Expenditure
- Account
- Income estimates
- Budget

20. The price of one currency in terms of another is known as 1

- Balance of payment
- Foreign exchange rate
- Devaluation
- Interest rate

21. The function of the foreign exchange market that protects buyers and sellers in the International trade from variations in the exchange rate is called 1

- The transfer function
- The credit function
- The hedging function
- The borrowing function

22. In an economy investment increases by ₹ 1,000 crores as a result income increases by ₹ 4,000 crores. What is the value of multiplier ? 2

23. If the following changes are introduced by the Reserve Bank of India state how it will affect the money supply in the economy.

(*i*) Rise in CRR.

(*ii*) Purchase of securities by the RBI in the open market.

(*iii*) Increase in the margin requirement from 40% to 60%.

(*iv*) A reduction in the statutory liquidity ratio.

24. From the information given below calculate primary deficit 2

(*i*)	Fiscal deficit	₹ 10,000
(*ii*)	Interest payment	₹ 2,000
(*iii*)	Revenue receipt	₹ 5,000

25. Define the following : 2

(*i*) Direct Tax

(*ii*) Escheat

26. What is meant by the following : 3

(*i*) Personal disposable income

(*ii*) Gross domestic product at factor cost

(*iii*) Externalities

27. Classify the following transactions into current account or capital account : 3

(*i*) Services exported

(*ii*) Foreign direct investment

(*iii*) Unilateral transfers

(*iv*) Long term loan

(*v*) The sale and purchase of gold

(*vi*) The import of goods

28. Define the following concepts : 3

(*i*) Transactions motive

(*ii*) Precautionary motive

(*iii*) Speculative motive

29. State and explain the savings function with the hlep of a neat labelled diagram. 3

Or

State and explain the consumption function with the help of a neat labelled diagram.

30. What is meant by excess and deficient demand ? Explain any *four* fiscal measures to correct excess and deficient demand. 5

31. Explain any *five* functions of the Central Bank. 5

32. Explain the Income Method of Estimating National Income. 5

Or

Explain the expenditure method of estimating National Income.