

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 4

PART—A

(Answer Question No.1 which is compulsory and any three of the rest from this part.)

1. (a) State, with reasons in brief, whether the following statements are true or false :

- (i) A pure capitalistic economy is characterised by absence of State intervention in economic activity.
- (ii) As a consumer moves along an indifference curve from left to right, the marginal rate of substitution of Commodity-X for Commodity-Y increases.
- (iii) Two isoquants may intersect each other.
- (iv) Monopolistic competition is characterised by the homogeneity of product.
- (v) Commercial banks have unlimited capacity to create credit.

(3 marks each)

(b) Distinguish between *any two* of the following :

- (i) 'Inferior goods' and 'status related goods'.
- (ii) 'Cardinal approach' and 'ordinal approach' in utility analysis.
- (iii) 'National income at current prices' and 'national income at constant prices'.

(5 marks each)

2. (a) When the price of Commodity-X is Rs.20 per unit, its quantity demanded is 50 units; and when the price goes up to Rs.40 per unit, its quantity demanded falls to 25 units. Find the price elasticity coefficient and give its interpretation.

(4 marks)

- (b) Fill in the blanks in the following table :

*Agricultural Output with Fixed Land
and Variable Units of Labour*

<i>Labour (Units)</i>	<i>Total Output (Tonnes)</i>	<i>Average Output (Tonnes)</i>	<i>Marginal Output (Tonnes)</i>
1	—	—	8
2	—	10	—
3	—	—	16
4	48	—	—
5	—	11	—
6	—	10	—
7	60	—	—

(3 marks)

- (c) What is 'inflationary gap' ?

(4 marks)

- (d) Briefly explain the concept of 'marginal propensity to save'.

(4 marks)

3. (a) What is meant by 'selling expenses' in the context of monopolistic competition ?

(3 marks)

- (b) What are 'ridge lines' ? Explain giving a suitable diagram.

(5 marks)

- (c) What is meant by 'monopoly' ? Explain the equilibrium of a monopolist firm in the long run.

(7 marks)

4. (a) Write notes on *any two* of the following :

- (i) Investment multiplier
- (ii) Demand pull inflation
- (iii) Net barter terms of trade.

(5 marks each)

- (b) What is 'bank rate' ? How is it used by the central bank of

a country to control credit creation by banks ?

(5 marks)

5. (a) Critically analyse the comparative cost advantage theory of international trade.
(8 marks)
- (b) What is meant by 'national income' ? Can it be taken as a measure of welfare ? Give reasons for your answer.
(7 marks)

PART—B

(Answer ANY TWO questions from this part.)

6. (a) What is meant by 'government failure' ? What are the reasons for government failure ?
(8 marks)
- (b) How does rapid growth of population create hurdles in economic development ?
(7 marks)
7. (a) Write short notes on the following :
(i) Dualistic nature of Indian economy
(ii) Drawbacks of road transport system in India.
(4 marks each)
- (b) What is meant by 'economic environment of business' ? Mention the factors which influence it.
(7 marks)
8. (a) Define 'subsidy'.
(2 marks)
- (b) Briefly discuss the financial sector reforms initiated in India in recent years.
(8 marks)
- (c) "Changing composition of India's external trade reflects the changing nature of the economy." Elaborate.
(5 marks)