

112

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8 Total number of printed pages : 5

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 correct or incorrect. Attempt any five :
 - (i) The study of economic phenomenon at the aggregate level is termed as macro economics.
 - (ii) An increase in Cash Reserve Ratio (CRR) for banks can increase their capacity of credit creation.
 - (iii) The cross-elasticity of demand is positive in case of substitute goods.
 - (iv) There can be a surplus in 'balance of payments' even when the 'balance of trade' is negative.
 - (v) An individual firm under perfect competition has full control over price.
 - (vi) Banks are not merely purveyors of money, but in an important sense, manufacturers of money.
 - (vii) The external value of a nation's currency is determined by its purchasing power in the domestic market.

(3 marks each)

- (b) Comment on *any two* of the following :
 - (i) Firm and industry are identical under

112

: 2 :

monopoly.

- (ii) All capital is wealth, but all wealth is not capital.
- (iii) 'Economic development' is a wider concept than 'economic growth'.
- (iv) Expansion of demand does not mean the same thing as increase in demand.

(5 marks each)

2. (a) State the facts on which Robbins' definition of economics is based.

(3 marks)

- (b) Briefly state the exceptions to the 'law of demand'.

(3 marks)

- (c) A consumer spends Rs.80 on a commodity when its price is Re.1 per unit and spends Rs.96 when the price is Rs.2 per unit. Calculate the price elasticity coefficient of demand for the commodity.

(3 marks)

- (d) Re-write *any six* of the following sentences after filling-up the blank space with appropriate word(s) so as to convey the correct meaning :

- (i) The _____ sector has the highest share in India's national income.
- (ii) _____ credit control measures control the direction of credit.
- (iii) Land, labour, capital and _____ are the major factors of production.
- (iv) Indifference curves are _____ to origin.
- (v) Commercial banks do not possess _____ capacity of credit creation.
- (vi) Product differentiation and selling costs are the most important features of

112

: 3 :

_____.

- (vii) Marginal cost is the addition to total cost on account of the production of an _____ unit.
(viii) Better transport and banking facilities in the industrial area will come under _____ economies.

(1 mark each)

3. (a) State the factors that may cause a shift in an iso-cost line.

(3 marks)

- (b) What do you mean by 'returns to scale' ? How do these affect the total cost curve of a firm ?

(6 marks)

- (c) Define 'national income'. Will an increase in national income result in a corresponding increase in economic welfare of the society ? Give reasons in support of your answer.

(6 marks)

4. (a) Two demand schedules (D_1 and D_2) of an individual for Commodity-X are given below :

Price (Rs.)	D_1 (Units)	D_2 (Units)
6	18	38
5	20	40
4	24	46
3	30	55
2	40	70

D_1 is the initial schedule and D_2 has resulted from an increase in the money income while other things are constant.

- (i) What would happen if the price of Commodity-

X fell from Rs.5 to Rs.3 before the income of the individual rose ?

- (ii) At the unchanged price of Rs.5, what happens when the individual's income rose ?

(4 marks each)

OR

"Under price discrimination, a monopolist will charge higher price in the market having less elastic demand." Explain with suitable diagram.

(8 marks)

- (b) What do you understand by 'marginal propensity to consume'? What role does it play in Keynesian consumption function ?

(7 marks)

5. (a) In Fisher's Quantity Theory of money —

$$P = \frac{MV + M'V}{T}$$
.

State what these symbols stand for ?

(2 marks)

- (b) Mention the monetary measures to control inflation.

(5 marks)

- (c) Define 'devaluation'. Point out its limitations as a tool of making balance of payments favourable.

(8 marks)

PART—B

(Answer ANY TWO questions from this part.)

6. (a) What is meant by 'technological environment' ?
 (2 marks)

- (b) "It is wrong to assume that an unregulated market is always competitive." Explain.

(5 marks)

- (c) Why is Indian economy known as a 'mixed

112

: 5 :

economy'?

(8 marks)

7. (a) What is meant by 'disguised unemployment'?

(2 marks)

(b) Discuss the problem of income inequalities in India.

(5 marks)

(c) "A rapid increase of population creates hurdles in the economic development of India." Do you agree with this statement? Give reasons in support of your answer.

(8 marks)

8. Write notes on *any three* of the following :

(i) National Bank for Agriculture and Rural Development (NABARD)

(ii) Non-Banking Finance Companies (NBFCs)

(iii) Components of tertiary sector in India

(iv) Features of Indian tax system

(v) Securities Exchange Board of India (SEBI).

(5 marks each)

—O—