

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 correct or incorrect :
- (i) The concept of consumer surplus has been developed by Lionel Robbins.
  - (ii) Monopoly of issue of currency note is the function of commercial banks.
  - (iii) Monetary policy is formulated and implemented by the Government of India.
  - (iv) Monopolist is the sole seller of a product with no close substitutes for his product in the market.
  - (v) Salaried class suffers during inflation and deflation.
- (2 marks each)
- (b) Comment on *any two* of the following :
- (i) Economics is neither a study of only wealth nor only of man and his actions.
  - (ii) Every increase in consumer's income takes him to a higher indifference curve.
  - (iii) U-shaped short-run average and marginal cost curves suggest only economies of scale.
  - (iv) Devaluation means lowering the internal and external value of the home currency.
- (5 marks each)
- (c) Choose the most appropriate answer from the given options in respect of the following :
- (i) Normally the slope of a demand curve is —
    - (a) Negative
    - (b) Positive
    - (c) Zero
    - (d) Constant.
  - (ii) When marginal utility diminishes, total utility —
    - (a) Diminishes
    - (b) Increases
    - (c) Diminishes at increasing rate
    - (d) Increases at diminishing rate.

- (iii) In case of perfect complementary goods, the indifference curve is —
- (a) Straight line
  - (b) L-shaped
  - (c) U-shaped
  - (d) Convex to origin.
- (iv) In case of inferior goods, the income effect is —
- (a) Negative
  - (b) Zero
  - (c) Positive
  - (d) Indeterminate.
- (v) A cost curve which is not U-shaped —
- (a) Marginal cost curve
  - (b) Average cost curve
  - (c) Average variable cost curve
  - (d) Average fixed cost curve.

(1 mark each)

2. (a) Distinguish between *any two* of the following :
- (i) 'Fixed exchange rate' and 'floating exchange rate'.
  - (ii) 'Indifference curves' and 'isoquants'.
  - (iii) 'Buyers market' and 'sellers market'.
  - (iv) 'Returns to a factor' and 'returns to scale'.

(4 marks each)

- (b) What do you understand by the term 'inflation' ? What are its merits and demerits ?

(7 marks)

3. (a) Write short notes on *any three* of the following :
- (i) Features of a mixed economy
  - (ii) Limitations of open market operations
  - (iii) Production function
  - (iv) Opportunity cost
  - (v) Marginal rate of substitution.

(3 marks each)

- (b) Consumer-X buys 100 units of a commodity at Rs.8 per unit. When its price falls by 50%, the demand rises to 200 units. Find out the price elasticity of demand for this product.

(3 marks)

- (c) If the marginal propensity to consume is 0.8, find out the additional income generated when an additional investment of Rs.10,000 is made. (3 marks)
4. (a) Discuss the main functions of a central bank of a country. (7 marks)
- (b) What are the basic four functions of 'money' ? Explain briefly. (4 marks)
- (c) What do you understand by 'balance of payments' ? What are its main components ? (4 marks)
5. (a) What is 'discriminating monopoly' ? How is price and output determined under it ? (5 marks)
- (b) What is meant by 'equilibrium level of income' ? What are the conditions of its determination ? (5 marks)
- (c) How is national income estimated in India ? (5 marks)

**PART—B**

*(Answer ANY TWO questions from this part.)*

6. (a) State, with reasons in brief, whether the following statements are correct or incorrect :
- (i) Economic environment covers all those factors which are related to management of public affairs and their impact on the business of an organisation.
  - (ii) A larger share of India's GDP is generated in the public sector.
  - (iii) Only the Central Government has the power to impose taxes in India.
  - (iv) Population growth rate in India has been rising since 1981.
  - (v) A subsidy is a negative tax.
- (2 marks each)
- (b) Choose the most appropriate answer from the given options in respect of the following :
- (i) India does not import one of the following —
    - (a) Pulses
    - (b) Tea
    - (c) Edible oils
    - (d) None of the above.

- (ii) Functioning of the capital market in India is regulated by —
- (a) Reserve Bank of India
  - (b) Securities and Exchange Board of India
  - (c) Bombay Stock Exchange
  - (d) National Stock Exchange.
- (iii) Presently, the share of agriculture in India's national income is about —
- (a) 10 per cent
  - (b) 20 per cent
  - (c) 30 per cent
  - (d) 40 per cent.
- (iv) Service sector in India does not include the following activity —
- (a) Power generation
  - (b) Transport and communication
  - (c) Banking and insurance
  - (d) Health and education.
- (v) High growth of population is caused by —
- (a) High birth rate and high death rate
  - (b) High birth rate and low death rate
  - (c) Low birth rate and high death rate
  - (d) Low birth rate and low death rate.

*(1 mark each)*

7. (a) What do you mean by 'market failure' ? State its principal causes. *(5 marks)*
- (b) Do you think that the Industrial Policy of 1991 has reduced the importance of public sector in India ? Give reasons for your answer. *(5 marks)*
- (c) Examine the major changes in the structure of India's foreign trade since 1991. *(5 marks)*
8. (a) State in brief the major factors that influence the economic environment. *(5 marks)*
- (b) Distinguish between 'monetary policy' and 'fiscal policy'. *(5 marks)*
- (c) Explain the components of Indian financial system. *(5 marks)*