

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) Concept of scarcity is not valid in rich economies.
 - (ii) Negative income elasticity for a product would indicate that the product is an inferior product.
 - (iii) All costs are fixed in the long run.
 - (iv) Price discrimination is an important characteristic of perfect competition.
 - (v) 'National income' and 'national wealth' are the same.
- (2 marks each)*
- (b) Comment on **any two** of the following :
- (i) Robbins definition of economics makes it a science of choice making.
 - (ii) $MC=MR$ is only a necessary condition for attaining equilibrium of a firm under the perfect competition.
 - (iii) Saving is necessarily equal to investment.
 - (iv) Inflation is unjust, deflation is inexpedient.
- (5 marks each)*
- (c) Choose the most appropriate answer from the given options in respect of the following :
- (i) Solution of central problems in a capitalistic economy is done through :
 - (a) Price mechanism
 - (b) Economic planning
 - (c) Government policies
 - (d) None of the above.
 - (ii) When marginal utility (MU) is negative, then total utility (TU) would be :
 - (a) Zero
 - (b) Negative
 - (c) Increasing
 - (d) Decreasing.

- (iii) Which of the following is not a factor of production :
- (a) Land
 - (b) Wages
 - (c) Capital
 - (d) Entrepreneurship.
- (iv) If the average total cost is Rs.30 for 5 units of output and Rs.32 for 6 units of output, the marginal cost of producing the 6th unit would be :
- (a) Rs.2
 - (b) Rs.12
 - (c) Rs.32
 - (d) Rs.42.
- (v) The firm will have to shut down in the short run if the firm cannot cover its :
- (a) Explicit and implicit costs
 - (b) Total costs
 - (c) Variable costs
 - (d) Fixed costs.

(1 mark each)

2. (a) Distinguish between **any two** of the following :
- (i) 'External economies' and 'internal economies'.
 - (ii) 'Monopoly' and 'monopolistic competition'.
 - (iii) 'Demand pull inflation' and 'cost push inflation'.
 - (iv) 'Qualitative credit control measures' and 'quantitative credit control measures'.
- (b) What is 'quantity theory of money' ? Explain it with the help of Cambridge equation.

(4 marks each)

(7 marks)

3. (a) Write short notes on **any three** of the following :
- (i) Marginal propensity to consume
 - (ii) Rate of exchange
 - (iii) Stagflation
 - (iv) Investment multiplier.

(3 marks each)

- (b) Compute marginal rate of technical substitution (MRTS) of labour (L) for capital (K) from the following table :

<i>Combination</i>	<i>Units of Capital (K)</i>	<i>Units of Labour (L)</i>	<i>Output of Commodity-X (Units)</i>
1	3	45	400
2	4	40	400
3	6	35	400
4	9	30	400
5	13	25	400

(3 marks)

- (c) Given below is the demand schedule for a commodity. What is the nature of elasticity of demand for the commodity ? Give reasons for your answer :

<i>Price (Rs.)</i>	<i>Quantity Demanded (Units)</i>
5	12
6	10
8	7.5
10	6

(3 marks)

4. (a) "Measurement of national income in India continues to suffer because of conceptual and statistical difficulties." What are these and how can these be overcome ?
(5 marks)
- (b) Explain the 'law of variable proportions' with suitable example and diagram.
(5 marks)
- (c) Show the determination of consumer's equilibrium with the help of indifference curves.
(5 marks)
5. (a) What is 'credit creation' by banks ? State the limitations on credit creation.
(5 marks)
- (b) What do you mean by 'marginal efficiency of capital' ? How is it different from 'marginal productivity of capital' ?
(5 marks)
- (c) What do you understand by 'disequilibrium in the balance of payments' ? What steps could be taken to overcome the problem ?
(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) India is very rich in some minerals, but very poor in others.
 - (ii) The indicators of quality of India's population provide a mixed picture.
 - (iii) The primary sector in India generates both the largest share of national income and employment opportunities.
 - (iv) Public sector is the major source of saving and investment in the Indian economy.
 - (v) Poverty is more widespread in urban areas than in rural areas.
- (2 marks each)
- (b) What do you understand by the following terms :
- (i) *Laissez faire*
 - (ii) Social goods
 - (iii) Dualistic economy
 - (iv) Subsidy
 - (v) Industrial relations ?
- (1 mark each)
7. (a) Briefly explain the concept of 'business environment'. Explain the factors that affect the economic environment of a business firm.
- (5 marks)
- (b) Explain the concept of 'market failure' and its causes.
- (5 marks)
- (c) Discuss the composition and direction of India's foreign trade in recent years.
- (5 marks)
8. Attempt **any three** of the following :
- (i) What are the main objectives of planning in India ?
 - (ii) What is meant by 'financial system' of an economy ? Discuss the major components of a financial system.
 - (iii) Write a note on 'power sector reforms in India'.
 - (iv) "Infrastructure framework constitutes the foundation of modern economic growth." Comment.
 - (v) What do you understand by 'income inequalities' ? What are its causes ?
- (5 marks each)