

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 6

## P A R T – 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) Decrease in demand and contraction of demand have the same meaning.
- (ii) The welfare of people increases with an increase in gross national product (GNP) .
- (iii) Returns to scale is another name of the law of variable proportions.
- (iv) The long run normal price will be equal to both average and marginal cost of production of every perfectly competitive firm.
- (v) 'Marginal efficiency of capital' measures the expected rate of return.
- (vi) Inflation is a hidden tax.

(2 marks each)

- (b) Comment on **any two** of the following :

- (i) Law of diminishing marginal utility is universally applicable.
- (ii) Monopolist has absolute control in the market.
- (iii) Consumers and salaried class are the gainers during deflation.
- (iv) Devaluation helps the country to promote exports.

(5 marks each)

- (c) Choose the most appropriate answer from the given options in respect of the following :

- (i) Who expressed the view that 'economics analyses the costs and benefits of improving patterns of resource allocation.' --
  - (a) P.A. Samuelson
  - (b) L. Robbins
  - (c) A.C. Pigou
  - (d) Adam Smith.

- (ii) Change in quantity demanded of a commodity occurs due to --
- A change in price of the commodity
  - A change in price of a related commodity
  - A change in income of the consumer
  - Any of the above.
- (iii) Which one of the following cost curves always slopes downwards –
- Long run average cost curve
  - Short run average cost curve
  - Average variable cost curve
  - Average fixed cost curve.
- (iv) Which of the following is a characteristic of a monopolistic competitive market --
- Large number of buyers and sellers
  - Perfect mobility of factors of production
  - Advertising to attract more consumers
  - Individual firm as a price-taker.
- (v) If marginal revenue exceeds marginal cost, a perfectly competitive firm should --
- Increase output
  - Decrease output
  - Keep out the same because profits are maximised where marginal revenue exceeds marginal cost.
  - Raise the price.

(1 mark each)

2. (a) Distinguish between **any two** of the following :

- 'Cash reserve ratio' and 'statutory liquidity ratio'.
- 'Micro economics' and 'macro economics'.
- 'Short-run cost' and 'long-run cost'.
- 'Fixed exchange rate system' and 'flexible exchange rate system'.

(4 marks each)

- (b) Compare the 'long-run equilibrium' of a perfectly competitive firm and a monopolistic competitive firm with respect to – (i) relation between marginal cost (MC) and price; and (ii) utilisation of capacity. Use diagrams.

(7 marks)

3. (a) Write short notes on **any three** of the following :

- (i) Consumption function
- (ii) Supply creates its own demand
- (iii) Isocost lines
- (iv) Inflationary gap.

(3 marks each)

(b) From the following data, calculate the total product (TP) and average product (AP) for all levels of variable factor :

<i>Units of Variable Product (TP)</i>	<i>Marginal Product (AP)</i>	<i>Total Product</i>	<i>Product Factor</i>	<i>Average (Units)</i>
1	30	—	—	—
2	20	—	—	—
3	10	—	—	—
4	0	—	—	—
5	-10	—	—	—

(3 marks)

(c) Given the following market demand and supply schedules for oranges, draw the average revenue and marginal revenue curves of a perfectly competitive firm :

*Market Demand Schedule*

<i>Price (Rs. Per Kg.)</i>	<i>Quantity Demanded (in '000 Kgs.)</i>
20	100
30	80
40	75
50	60

*Market Supply Schedule*

<i>Price (Rs. Per Kg.)</i>	<i>Quantity Supplied (in '000 Kgs.)</i>
20	60
30	80

40

90

50

100

*(3 marks)*

4. (a) Explain briefly the concept of investment multiplier.

*(3 marks)*

- (b) "A competitive firm is not a price determinator but an output adjustor." Elucidate.

*(6 marks)*

- (c) What do you mean by 'devaluation' ? Discuss its effectiveness in correcting an adverse balance of payments.

*(6 marks)*

5. (a) What do you mean by 'diminishing returns to scale' ? Why do they occur ?

*(6 marks)*

- (b) Explain the concept of 'foreign trade multiplier'.

*(4 marks)*

- (c) Distinguish between 'nominal national income' and 'real national income'.

*(3 marks)*

- (d) What do you mean by 'deflation' ?

*(2 marks)*

#### P A R T – B

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

6. (a) State, with reasons in brief, whether the following statements are correct or incorrect :

- (i) Fiscal policy aims at regulating the volume, composition and cost of credit.
- (ii) Revenue deficit occurs when the total receipts of the government exceed its total expenditure during a year.
- (iii) Annual rate of growth of India's population continues to rise.
- (iv) India is basically an agrarian economy because the largest share of GDP is generated in this sector.
- (v) Government has finally decided to shut down all public sector enterprises in India.

*(2 marks each)*

- (b) Choose the most appropriate answer from the given options in respect of the following :

- (i) India's mineral reserves are concentrated in the States of –

: 5 :

- (a) Uttar Pradesh, Andhra Pradesh and Gujarat
  - (b) West Bengal, Madhya Pradesh, Orissa and Bihar
  - (c) Maharashtra, Kerala and Tamil Nadu
  - (d) Delhi, Punjab, Haryana and Himachal Pradesh.
- (ii) During the year 2008-09, India's GDP increases by 8 per cent and its population increases by 1.6 per cent, India's per capita income would increase by -
- (a) 5 per cent
  - (b) 9.6 per cent
  - (c) 6.4 per cent
  - (d) 12 per cent.
- (iii) Under the Telecom Policy, the tariffs are monitored and regulated by -
- (a) IRDA
  - (b) MTNL
  - (c) BSNL
  - (d) TRAI.
- (iv) At present, the most important source of power in the Indian economy is -
- (a) Solar power
  - (b) Nuclear power
  - (c) Thermal power
  - (d) Wind power.
- (v) A deficit in the current account of balance of payments may imply -
- (a) A trade deficit
  - (b) A trade surplus
  - (c) A balanced trade
  - (d) Any of the above.

(1 mark each)

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

- (i) National Bank for Agricultural and Rural Development (NABARD)

- (ii) Securities and Exchange Board of India (SEBI)  
(iii) World Trade Organisation (WTO).  
*(4 marks each)*
- (b) What is meant by 'infrastructure' of an economy ? Why is it needed ?  
*(4 marks)*
- (c) Differentiate between 'tax' and 'subsidy'.  
*(3 marks)*
8. (a) What is meant by 'market failure' ? State in brief its causes.  
*(6 marks)*
- (b) Discuss the features of Indian economy as also its achievements and failures.  
*(4 marks)*
- (c) State the major financial sector reforms in India.  
*(5 marks)*

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