ECONOMICS
CODE 58

TIME ALLOWED: 3 HOURS MAXIMUM MARKS: 100

SECTION A

1. Define production possibility curve. (1)
2. Define marginal utility. (1)
3. What is market demand? (1)
4. Why does average fixed cost fall with increase in output? (1)
5. Give the meaning of price elasticity of supply. (1)
6. Explain the distinction betweeen “change in quantity demanded” and “change in demand”. (3)
7. Give three causes of a leftward shift in demand curve. (3)
8. The price elasticity of demand of X is (-)1.25. Its price falls from Rs 10 to Rs 8 per unit. Calculate the percentage change in its demand. (3)
9. State the phases in the behaviour of Total product as per the law of Variable proportions. Use diagram. (3)

   OR

   State the relation between Marginal Product and Average product. Use diagram.
10. Explain the geometric method of measuring price elasticity of supply. Use diagram. (3)

Note: The following question is for Blind candidates in lieu of question NO. 10.

Explain the law of supply. Give a numerical example.

11. Market for an essential item of consumption is in equilibrium, but the equilibrium price is too high for the common man. What can the government do to bring down its market price but only through the normal market forcs? Explain the chain of effects of the government's action (4)
12. Explain how the following influence supply of a good
    (i) taxes on production
    (ii) change in prices of other goods
    (iii) Technological changes
    (iv) change in price of inputs (4)
13. How is equilibrium price of a commodity detemined under perfect competition> Explain with the help of a numerical example. (4)
14. Explain the meaning of 'monotonic preferences'. Also explain why an indifference curve is (a) downward sloping and (b) convex to the origin. (6)

OR

Explain the concept of Marginal Rate of Substitution and its behaviour in the Indifference Curve Analysis. Use a schedule.

15. Giving reasons identify the equilibrium level of output and fnd profit at this output using'Marginal Cost and Marginal reveue' approach from the following:

Output(units)	1	2	3	4	5
Total Cost(Rs.)	7	13	20	28	37
Total revenue(Rs.)	7	14	21	28	35

(6)

16. Giving reasons, state whether the following statements are true of false:
(i) A monopolist can fix both, the price of his product and the quantity to be sold at that price.
(ii) Excess supply of a commodity exists when its market price is greater than its equilibrium price.
(iii) Under monopolistic competition, a firm faces a perfectly elastic demand curve. (6)

SECTION B

17. Define national income. (1)
18. What is macroeconomics? (1)
19. Name any one step that the government can take through its budget to check inflation that is causing hardships to the people. (1)
20. What are time deposits in banks? (1)
21. Define final goods. (1)
22. Explain the 'Store of Value' function of money. (3)

OR

Explain the “Unit of Account' function of money.

23. Calculate equilibrium national income from the following:
(i) Consumption expenditure at zero income = Rs 60
(ii) Marginal propensity to consume = 0.9
(iii) Investment = Rs 100 (3)
24. Differentiate between aggregate demand and aggregate supply. (3)
25. Explain the basis of classifying government receipts into revenue receipts and capital receipts. Which type of these receipts are borrowings by government and why? (3)
26. Foreign exchange rates have risen considerably ina country. What is its likely impact on imports of that country and why? (3)
27. Explain the 'price stability' function of a government budget. (4)
28. Reduction in income inequalities raises welfare of the people. How can

government help, through government budget, in this regard? Explain. (4)

29. Are the following entered(i) on the credit side or the debit side and (ii) in the current account or capital account in the Balance of Payments account? You must give a reason for your answer.

(a) Investment from abroad

(b) Transfer of funds to relatives abroad (6)

OR

Explain the concept of 'deficit' in the Balance of Payments.

30. Distinguish between'nominal income' and 'real income'. Explain why due to the presence of non-monetary oroduction, real national income on its own cannot be treated as a true index of welfare. (6)

OR

Explain the following:

(i) Why are imports deducted while calculating domestic product through the expenditure method?

(ii) Why is 'indirect tax' deducted while estimating national income by expenditure method?

(iii) Why are free facilities given to employees included in national income?

31. What is 'excess demand' in macroeconomics? Show the same in a diagram. Explain the role of 'open market operations' in reducing it. (6)

32. Calculate (a) Private income and (b) Gross Domestic product at factor cost.

		(Rs in arab)
(i)	Miscellaneous receipts of government	15
(ii)	Saving of non-departmental enterprises	8
(iii)	Direct taxes paid by households	30
(iv)	Net factor to abroad	(-) 6
(v)	Corporation tax	20
(vi)	Net current transfers from abroad	(-) 4
(vii)	Saving of private corporate sector	10
(viii)	National debt interest	15
(ix)	Current transfers by government	8
(x)	Income from property and enterpreneurship accruing to the government administrative departments	12
(xi)	Personal disposable income	200
(xii)	Consumption of fixed capital	11

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