ECONOMICS ALL INDIA (Main paper) 2015

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SET - I

SECTION – A

1. Define indifference curve
2. If due to fall in the price of good X, demand for goods Y rises, the two goods are: (choose the correct alternative)
   a. Substitutes
   b. Complements
   c. Not related
   d. Competitive
3. If marginal rate of Substitution is increasing throughout, the Indifference Curve will be: (choose the correct alternative)
   a. Downward sloping convex
   b. Downward sloping concave
   c. Downward sloping straight line
   d. Upward sloping convex
4. Giving reason comment on the shape of Production Possibilities Curve based on the following schedule:

Good X (units)	Good Y (units)
0	30
1	27
2	21
3	12
4	0

5. What is likely to be the impact of "Make in India" appeal to the foreign investors by the Prime Minister of India, on the production possibilities frontier of India ? Explain.

   Or

   What is likely to be the impact of efforts toward reducing unemployment on the production potential of the economy ? Explain.
6. Explain the significance of 'minus sign' attached to the measure of price elasticity of demand in case of a normal good, as compared to the 'plus sign' attached to the measure of price elasticity of supply.
7. In a perfectly competitive market the buyers treat production of all the firm as homogenous. Explain the significance of this feature.
8. What are the effects of 'price-floor' (minimum price ceiling) on the market of a good ? use diagram.
9. A consumer spends Rs.1,000 on a good priced at Rs.10 per unit. When its price falls by 20 percent, the consumer spends Rs.800 on the good. Calculate the price elasticity of demand by the Percentage method.
10. What is the behavior of (a) Average Fixed Cost and (b) Average Variable Cost as more and more units of a good are produced.

    Or

    Define Average Revenue. Show that Average Revenue and Price are same.
11. A consumer consumes only two goods X and Y, both priced at Rs.2, per unit. If the consumer choose a combination of these two goods with Marginal Rate of Substitution

equal to 2, is the consumer in equilibrium ? Why or why not ? What will a rational consumer do in this situation ? Explain.

Or

A consumer consumes only two goods X and Y whose prices are Rs.5 and Rs.4 respectively. If the consumer choose a combination of the two goods with marginal utility of X equal to 4 and that of Y equal to 5, is the consumer in equilibrium ? Why or why not? What will a rational consumer do in this situation? Use utility analysis.

12. What are the different phases in the Law of Variable Proportions in terms of marginal product? Give reason behind each phase. Use diagram.

Or

Explain with the help of a numerical example different phases in the Law of Variable Proportions.

13. Explain why will a producer not be in equilibrium if the conditions of equilibrium are not met.

14. Market for a good is in equilibrium. The supply of good "decreases". Explain the chain of effects of this change.

SECTION – B

15. What is aggregate demand in macroeconomics ?

16. If MPC = 1, the value of multiplier is :(choose the correct alternative1)

a. 0
b. 1
c. Between 0 and 1
d. Infinity

17. Primary deficit in a government budget is: (choose the correct alternative)

a. Revenue expenditure – Revenue receipts
b. Total expenditure – Total receipts
c. Revenue deficit – Interest payments
d. Fiscal deficit – Interest payments

18. Direct tax is called direct because it is collected directly from: (choose the correct alternative)

a. The producers on goods produced
b. The sellers on good sold
c. The buyers of goods
d. The income earners

19. Other things remaining the same, when in a country the market price of foreign currency falls, national income is likely: (choose the correct alternative)

a. To arise
b. To fall
c. To rise or to fall
d. To remain unaffected

20. If the Real GDP is Rs.400 and Nominal GDP is Rs.450, calculate the Price Index (base=100).

21. What are fixed and flexible exchange rates ?

22. Where is 'borrowings from abroad' recorded in the Balance of Payments Accounts ? Give reasons.

23. Explain the "Bankers' Bank function" of the central bank.

Or

Explain the "Bank of Issue function" of the central bank.

24. Currency is issued by the central bank, yet we say that commercial banks create money. Explain. How is this money creation by commercial banks likely to affect the national income ? Explain.

25. An economy is in equilibrium. Calculate the Investment Expenditure from the following:

National Income = 800
Marginal Propensity to Save = 0.3
Autonomous Consumption = 100

26. Giving reason explain how the following should be treated in estimation of national income:

i. Payment of interest by a firm to a bank
ii. Payment of interest by a bank to an individual
iii. Payment of interest by an individual to a bank

27. What is 'deficient demand'? Explain the role of 'Bank Rate' in removing it.

Or

What is 'excess demand'? Explain the role of 'Reverse Repo Rate' in removing it.

28. Explain how to government can use the budgetary policy in reducing inequalities in incomes.

29. Calculate the 'National Income' and 'Private Income':

		(Rs. in Crores)
1	Rent	200
2	Net factor income to abroad	10
3	National debt interest	15
4	Wages and salaries	700
5	Current transfers from government	10
6	Undistributed profits	20
7	Corporation tax	30
8	Interest	150
9	Social securities contribution by employers	100
10	Net domestic product accruing to government	250
11	Net current transfers to rest of the world	5
12	Dividends	50

SET II
SECTION A

2. Define budget line.
5. Giving reason comment on the shape of Production Possibilities Curve based on the following schedule:

Good X (Units)	Good Y (Units)
0	16
1	12
2	8
3	4
4	0

8. Explain the implication of non-price competition in an oligopoly market.
10. A consumer spends Rs100 on a good priced at Rs4 per unit. When its price falls by 25 percent, the consumer spends Rs 75 on the good. Calculate the price elasticity of demand by the percentage method.
11. Market for a good is equilibrium . The supply of the good "Increases". Explain the chain of effect of this change.

SECTION B

1. If the Real GDP is Rs.500 and price Index (base = 100) is 125, Calculate the Nominal GDP.
2. An economy is in equilibrium. Calculate the Marginal propensity to save from the following: National Income = 1000
   Autonomous Consumption = 100
   Investments = 120
3. Calculate 'Net national Product at Market Price' and 'Personal income':

	(Rs. in crores)
(i) Transfer payments by government	7
(ii) Government final consumption expenditure	50
(iii) Net imports	(-)10
(iv) Net domestic fixed capital formation	60
(v) Private final consumption expenditure	300
(vi) Private income	280
(vii) Net factor income to abroad	(-)5
(viii) Closing stock	8
(ix) Opening stock	8
(x) Depreciation	12
(xi) Corporate tax	60
(xii) Retained earnings of corporation	20

SET III

SECTION A

4. Define Indifference Map.
5. Distinguish between corporation and non-cooperative oligopoly.
8. Giving reason comment on the shape of Production Possibilities Curve bases on the following tables:

Good X (Units)	Good Y (Units)
0	10
1	9
2	7
3	4
4	0

9. A consumer spends Rs400 on a good priced at Rs8 per unit. When its price falls by 25 percent, the consumer spends Rs500 on the good. Calculate the price elasticity of demand by the percentage method.

SECTION B

6. If the Nominal GDP is Rs600 and price Index (base = 100) is 120, Calculate the Real GDP.
7. An economy is in equilibrium. Calculate the National Income from the following:

   Autonomous Consumption = 120
   Marginal propensity to save = 0.2
   Investments Expenditure = 150

8. Calculate 'Net Domestic Product at Market Price' and 'Gross National Disposable income':

	(Rs. in crores)
(i) Private final consumption expenditure	400
(ii) Opening stock	10
(iii) Consumption of fixed capital	25
(iv) Imports	15
(v) Government final consumption expenditure	90
(vi) Net current transfer to rest of the world	5
(vii) Gross domestic fixed capital consumption	80
(viii) Closing stock	20
(ix) Exports	10
(x) Net factor income to abroad	(-)5