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## ECONOMICS (Main paper) 2016

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## SET – 1

## SECTION – A

1. What is the relation between Average Variable Cost and Average Total Cost, if Total Fixed Cost is zero ?
2. A firm is able to sell ant quantity of a good at a given price. The firm's marginal revenue will be: (choose the correct alternative)
   - **a.** Greater then Average Revenue
   - **b.** Less than Average Revenue
   - **c.** Equal to Average Revenue
   - **d.** Zero
3. When does 'change in demand' take place ?
4. Differentiated products is a characteristic of: (choose the correct alternative)
   - **a.** Monopolistic competition
   - **b.** Oligopoly only
   - **c.** Both monopolistic competition and oligopoly
   - **d.** Monopoly
5. Demand curve of a firm is perfectly elastic under: (choose the correct alternative)
   - **a.** Perfect competition
   - **b.** Monopoly
   - **c.** Monopolistic competition
   - **d.** Oligopoly
6. A consumer consumes only two goods X and Y. marginal utilities of X and Y are 3 and 4 respectively. Prices of X and Y are Rs.4 per unit each. Is consumer in equilibrium ? What will be further reaction of the consumer? Give reasons.
7. What is minimum Price ceiling ? Explain its implications.

   **Or**

   If the prevailing market price is above the equilibrium price, explain its chain of effects.
8. What will be the effect of 10 percent rise in price of a good on its demand if price elasticity of demand is (a) Zero, (b) -1, (c) -2.
9. Define demand. Name the factors affecting market demand.
10. Define Fixed Cost. Give an example. Explain with reason the behavior of Average Fixed Cost as output is increased.

    **Or**

    Define Marginal Product. State the behavior of marginal product when only one input is increased and other inputs are held constant.
11. When price of a commodity falls from Rs.12 per unit to Rs.9 per unit, the producer supplies 75 percent less output. Calculate price elasticity of supply.
12. Why do central problem of an economy arise? Explain the central problem of "for whom to produce" ?
13. Explain three properties of indifference curves.
14. Examine the effect of (a) fall in the own price of good X and Y (b) rise in tax rate on good X, on the supply curve. Use diagrams.
15. Explain the implications of the following in a perfectly competitive market:
    - **a.** Large number of sellers
    - **b.** Homogenous products.

    **Or**

Explain the implications of the following in an oligopoly market:

**a.** Barriers to entry of new firms
**b.** A few or a few big sellers

**SECTION – B**

**16.** Define flows.

**17.** National income is the sum of factor incomes to: (choose the correct alternative)

**a.** Nationals
**b.** Economic territory
**c.** Residents
**d.** Both residents and non-residents

**18.** What are Revenue Receipts in a government budget ?

**19.** Primary deficit equals: (choose the correct alternative)

**a.** Borrowings
**b.** Interest payments
**c.** Borrowings less interest payments
**d.** Borrowings and interest payments both

**20.** Foreign exchange transactions which are independent of other transactions in the Balance of Payments Account are called: (choose the correct alternative)

**a.** Current transactions
**b.** Capital transactions
**c.** Autonomous transactions
**d.** Accommodating transactions

**21.** Assuming real income to be Rs.200 crore and price index to be 135, calculate nominal income.

**22.** What is Aggregate Demand? State its components.

**Or**

Explain how controlling money supply is helpful in reducing excess demand.

**23.** An economy is in equilibrium. Calculate Marginal Propensity to consume:

National income = 1,000
Autonomous consumption expenditure = 200
Investment expenditure = 100

**24.** Sale of petrol and diesel cars is rising particularly in big cities. Analyse its impact on gross domestic product and welfare.

**25.** Explain the 'medium of exchange' function of money. How has it solved the related problem created by barter.

**Or**

Explain the 'standard of deferred payment' function of money. How has it solved the related problem created by barter ?

**26.** Explain how 'Repo Rate' can be helpful in controlling credit creation.

**27.** What is the difference between revenue expenditure and capital expenditure? Explain how taxes and government expenditure can be used to influence distribution of income in the society.

**Or**

What is the difference between direct tax and indirect tax? Explain the role of government budget in influencing allocation of resources.

**28.** Given saving curve, derive consumption curve and state the steps in doing so. Use diagram.

**29.** Indian investors lend abroad. Answer the following questions:

a. In which sub-account and on which side of the Balance of Payments Account such lending is recorded? Give reasons.

b. Explain the impact of this lending on market exchange rate.

**30.** Find Cross National Product at Market Price and Private Imcome:

| | | (*Rs. in crores*) |
|---|---|---|
| 1 | Private final consumption expenditure | 800 |
| 2 | Net current transfers to abroad | 20 |
| 3 | Net factor income to abroad | (-) 10 |
| 4 | Government final consumption expenditure | 300 |
| 5 | Net indirect tax | 150 |
| 6 | Net domestic capital formation | 200 |

## SET – 2

**4.** When does "change in quantity demanded" take place ?

**5.** What happens to the difference between Average Total Cost and Average Variable Cost as production is increased ?

**7.** A consumer consumes only two goods X and Y and Y. Marginal utilities of X and Y are 4 and 3 respectively. Price of X and price of Y is Rs.3 per unit. Is consumer in equilibrium ? What will be further reaction of the consumer ? Give reasons.

**9.** When price of good rises from Rs.10 to Rs.12 per unit, the producer supplies 10 per cent more. Calculate price elasticity of supply.

**10.** Define Utility. Explain the Law of Diminishing Marginal Utility.

## SECTION – B

**19.** Define Fiscal Deficit.

**21.** An economy is in equilibrium. Find investment expenditure:

National income = 1,200
Autonomous consumption expenditure = 150
Marginal Propensity to consume = 0.8

**22.** If nominal income is Rs.500 and price index is 125, calculate real income.

**24.** Explain the role of Cash Reserve Ratio in controlling credit creation.

**27.** Calculate Net National Product at Market Price and Private income.

| | | (*Rs. in crores*) |
|---|---|---|
| 1 | Net current transfers to abroad | 10 |
| 2 | Private final consumption expenditure | 500 |
| 3 | Current transfers from government | 30 |
| 4 | Net factor income to abroad | 20 |
| 5 | Net exports | (-) 20 |
| 6 | Net indirect tax | 120 |
| 7 | National debt interest | 70 |
| 8 | Net domestic capital formation | 80 |
| 9 | Income accruing to government | 60 |
| 10 | Government final consumption expenditure | 100 |

## SET – 3

**3.** What happens to the difference between Total Cost and Total Variable Cost as output is in increased ?

**5.** When does 'shift in supply curve' take place ?

**8.** A consumer consumes only two goods X and Y. The marginal utilities of X and of Y is 3 each. Prices of X and Y are Rs.2 and Rs.1 respectively. Is consumer in equilibrium ? What will be further reaction of the consumer ? Given reason.

**10.** When price of a good rises from Rs.8 per unit to Rs.10 per unit, producer supplies 40 units more. Price elasticity of supply is 2. What is the quantity supplied before price change ? Calculate.

**11.** Distinguish between individual's demand and market demand. Name the factors affecting demand for a good by an individual.

## SECTION – B

**20.** What are Capital Receipts in a government budget ?

**22.** An economy is in equilibrium. Find investment expenditure:

National Income = 1000
Autonomous Consumption = 100
Marginal Propensity to consume = 0.8

**23.** If real income is Rs.400 and price index is 105, calculate income.

**25.** Explain the role of Revenue Repo Rate in controlling credit creation.

**29.** Calculate National Income and Personal Disposable Income:

| | | *(Rs. in crores)* |
|---|---|---|
| **1** | Corporation tax | 100 |
| **2** | Private final consumption expenditure | 900 |
| **3** | Personal Income tax | 120 |
| **4** | Government final consumption expenditure | 200 |
| **5** | Undistributed profit | 50 |
| **6** | Change in stocks | (-) 20 |
| **7** | Net domestic fixed capital formation | 120 |
| **8** | Net imports | 10 |
| **9** | Net indirect tax | 150 |
| **10** | Net factor income abroad | (-) 10 |
| **11** | Private income | 1000 |