

PART I (10 x 2 = 20 Marks)

(Attempt all questions)

Q 1. Answer briefly each of the following questions from (i) to (x)

- i. What are inferior goods?
- ii. State the law of equi-marginal utility.
- iii. What is meant by short run and long run in production.
- iv. Define implicit cost. How is it different from explicit cost?
- v. Define oligopoly.
- vi. What is deflationary gap?
- vii. What is meant by unlimited legal tender?
- viii. What is meant by double counting?
- ix. Give one difference between accounting cost and opportunity cost.
- x. What is Zero Based Budget?

PART II (12 x 5 = 60 Marks)

(Attempt any five questions from this part)

- Q 2. a.** Explain the properties of budget line. (3)
- b** Differentiate between stock and supply (3)
- c.** Explain with the help of a diagram the consumer's equilibrium through utility approach. (6)
- Q 3. a.** Discuss two exceptions to the Law of supply. (3)
- b.** Explain diagrammatically how equilibrium price and equilibrium quantity are affected by changes in the demand for a commodity, with the supply remaining constant. (3)
- c.** What is equilibrium price. How is it determined. Show it diagrammatically. (6)
- Q4. a .** Why is short run average cost curve (SAC) 'U' shaped? (3)
- b ' Under perfect competition the seller is a price-taker, under monopoly and Monopolistic competition he is the price- maker'. Explain. (3)**

c. How does a producer attain equilibrium (can maximize profits) under perfect competition through MR and MC approach. (6)

Q5 a. Explain MPC and MPS and their relationship. (3)

b..Explain primary functions of money. (3)

c Explain the law of variable proportion with the help of a diagram. (6)

Q6 a Explain the 'Bank of issue' function of a central bank. (3)

b. "Balance of payments must always balance". Comment. (3)

c Explain four ways of Redemption of Public Debt (6)

Q7 a. Distinguish between direct and indirect taxes. (3)

b . Explain three export promotion measures. (3)

c. Define revenue deficit, fiscal deficit and primary deficit. What are their implications On the economy. (6)

Q8 a With the help of a diagram ,show the circular flow of income in a two sector model with savings and investment. (3)

b Explain the meaning of M1 and M4 measures of money supply. (3)

c Describe the limitations of real per capita income as a measure of economic welfare. (6)

Q9 a Define compensation of employees and mention its components. (3)

B Explain any three difficulties in the estimation of national income . (3)

C From the following data calculate National Income by I) Income Method (6)

and II) Expenditure method (in crore)

1	Compensation of employees	600
2	Government final consumption expenditure	550
3	Net factor income from abroad	(-)10
4	Net export	(-)15
5	profit	400
6	Net indirect tax	60
7	Mixed income of self employed	350
8	Rent	200
9	Interest	310
10	Private final consumption expenditure	1000
11	Net domestic capital formation	385
12	Consumption of fixed capital	65