

ECONOMICS

Answer Key

Set -II

Qn. No	Value Points	Score	Total
1	b. Technology of production	1	1
2	c. The value of next best alternative sacrificed	1	1
3	b. $\frac{\text{Percentage change in price}}{\text{Percentage change in quantity demanded}}$	1	1
4	a. Net indirect tax b. Net investment c. Personal disposable income d. NNP_{FC} or National income	1 1 1 1	4
5	a. Price elasticity of demand b. GDP deflator c. Indifference map d. Inventory	1 1 1 1	4
6	Match the following a - iv b - iii c - ii d - i e - v	1 1 1 1 1	5
7	Micro Economics Macro Economics Elasticity of demand Inflation Cost of a firm GDP deflator	$\frac{1}{2} \times 4$	2
8	Positive economics deals with how a particular mechanism function or it deals with 'What is'? Normative economics analyse the desirability of the mechanism or an action. In other words it deals with 'what ought to be' (Any relevant points)	1 1	2
9	Substitute goods Examples	1 1	2
10	a. Government through planning mechanism b. Private individuals through market mechanism (or price mechanism)	1 1	2
11	Indifference curve is convex to the origin Indifference curve never touch each other Indifference curve is negatively sloped Higher indifference curve gives higher satisfaction (Any two points)	1 + 1	2
12	a. C, D b. A, B	1 1	2
13	Limited resource or scarcity of resources Unlimited wants Alternative uses of limited resources (Any two relevant points)	1 + 1	2

Qn. No	Value Points	Score	Total
14	Accumulation of inventory - The value of inventory at the end of year is more than compared to the beginning of the year Decumulation of inventory - The Value of inventory at the end of year is less than compared to the beginning of the year.	1 1	2
15	When TP is maximum, MP is zero When TP starts to falls, MP become negative MP is the slope of TP (Any two points)	1 + 1	2
16	Stock variable measures at a point of time Flow variable measure over a period of time Give suitable examples	1 1 $\frac{1}{2} + \frac{1}{2}$	3
17	GDP and an equal distribution of income GDP and externality GDP and non monetary exchanges ($\frac{1}{2}$ mark each for only points)	1 1 1	3
18	$EP = \frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$, Answer EP= 1 (Equation1, Process 1, Answer 1)	1+1+1	3
19	Other factors keeping constant, there is an inverse relationship between price and quantity demanded. Draw the demand curve.	2 1	3
20	a. A movement along a demand curve or expansion of demand b. Shift in demand or increase in demand or upward shift Movement along a demand curve occur due to price factor keeping other factors constant or Downward movement along a demand curve due to fall in price Shift in demand occur due to non price factors, keeping price constant or Increase in demand or upward shift in demand due to favourable factors other than price	1 1 1 1	4
21	a. $58000 - 8500 = 49500$ b. $75000 - 5000 = 70000$ c. Differentiate value added from value of output	1 + 1 2	4
22	Personal Income = $NDP_{FC} + NFIA - \text{Undistributed profit} - \text{Corporate tax} - \text{Interest paid by household} + \text{Interest received by household} + \text{Transfer Income}$ $20000 + 500 - 300 - 800 - 1700 + 1200 + 300 = 19200$	2 2	4
23	a. False bundles A and B are inferior to bundles C and D b. True c. False, Bundle C is preferred to bundle A d. False, Bundle E is preferred (superior) to bundle D	1 1 1 1	4

Qn. No	Value Points	Score	Total																																																																																																								
24	a. Combination of two goods that an economy can produce when available resources and given technology are fully and efficiently used. b. Draw PPF	2 2	4																																																																																																								
25	Briefly explain the reasons for the failure of classical macro economic ideas since the "Great depression" 1929 and the emergence of JM Keynes as a pioneer of new macro economic thoughts. (Any relevant 4 points related to emergence of modern macro economics)	1+ 1+ 1+ 1	4																																																																																																								
26	Locate any four values of price elasticity of demand on Linear demand curve	1+1+ 1+1	4																																																																																																								
27	a. Short run production function explains the relationship between change in variable input and output in the short run period. Long run production function explain the effect of proportionate change in all inputs on output in the long run. b. Increasing Returns to Scale (IRS) Constant Returns to Scale (CRS) Decreasing Returns to scale (DRS) (three points with brief explanation 1 score for each point. ½ score each for only points)	2 1 1 1	5																																																																																																								
28	a. Value added method (Product method) Income method, Expenditure method b. Measuring NI by product method Income Method Expenditure Method (Any two methods)	1+1+1 2½+2½	8																																																																																																								
29	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th>Out Put</th> <th>TC</th> <th>TFC</th> <th>TVC</th> <th>AFC</th> <th>AVC</th> <th>AC</th> <th>MC</th> </tr> </thead> <tbody> <tr><td>0</td><td>10</td><td>10</td><td>0</td><td>∞</td><td>0</td><td>0</td><td>-</td></tr> <tr><td>1</td><td>20</td><td>10</td><td>10</td><td>10</td><td>10</td><td>20</td><td>10</td></tr> <tr><td>2</td><td>30</td><td>10</td><td>20</td><td>5</td><td>10</td><td>15</td><td>10</td></tr> <tr><td>3</td><td>38</td><td>10</td><td>28</td><td>3.3</td><td>9.3</td><td>12.6</td><td>8</td></tr> <tr><td>4</td><td>46</td><td>10</td><td>36</td><td>2.5</td><td>9</td><td>11.5</td><td>8</td></tr> <tr><td>5</td><td>52</td><td>10</td><td>42</td><td>2</td><td>8.4</td><td>10.4</td><td>6</td></tr> <tr><td>6</td><td>60</td><td>10</td><td>50</td><td>1.6</td><td>8.3</td><td>9.9</td><td>8</td></tr> <tr><td>7</td><td>64</td><td>10</td><td>54</td><td>1.4</td><td>7.7</td><td>9.1</td><td>4</td></tr> <tr><td>8</td><td>68</td><td>10</td><td>58</td><td>1.25</td><td>7.25</td><td>8.5</td><td>4</td></tr> <tr><td>9</td><td>74</td><td>10</td><td>64</td><td>1.1</td><td>7.1</td><td>8.2</td><td>6</td></tr> <tr><td>10</td><td>80</td><td>10</td><td>70</td><td>1</td><td>7</td><td>8</td><td>6</td></tr> <tr><td>11</td><td>92</td><td>10</td><td>82</td><td>0.9</td><td>7.45</td><td>8.35</td><td>12</td></tr> </tbody> </table> <p>b. Draw TFC and TC</p>	Out Put	TC	TFC	TVC	AFC	AVC	AC	MC	0	10	10	0	∞	0	0	-	1	20	10	10	10	10	20	10	2	30	10	20	5	10	15	10	3	38	10	28	3.3	9.3	12.6	8	4	46	10	36	2.5	9	11.5	8	5	52	10	42	2	8.4	10.4	6	6	60	10	50	1.6	8.3	9.9	8	7	64	10	54	1.4	7.7	9.1	4	8	68	10	58	1.25	7.25	8.5	4	9	74	10	64	1.1	7.1	8.2	6	10	80	10	70	1	7	8	6	11	92	10	82	0.9	7.45	8.35	12	(any 5 columns) 1+1+ 1+1+1	8
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30	a. Slope of IC and slope of budget line must be same or $MRS = \frac{P_1}{P_2}$ Indifference curve must be convex to the origin Consumer spends his entire income etc b. Draw the equilibrium in a diagram and explain it.	Any two conditions 2 5	8																																																																																																								