

Reg. No. :

Code No. 8026

Name :

For Scheme-I Candidates only

**Second Year – 2015
SAY / IMPROVEMENT**

Time : 2 ½ Hours
Cool-off time : 15 Minutes

Part – III

ECONOMICS

Maximum : 80 Scores

General Instructions to Candidates :

- There is a 'cool-off time' of 15 minutes in addition to the writing time of 2 ½ hrs.
- You are not allowed to write your answers nor to discuss anything with others during the 'cool-off time'.
- Use the 'cool-off time' to get familiar with questions and to plan your answers.
- Read questions carefully before answering.
- All questions are compulsory and only internal choice is allowed.
- When you answer questions, all questions must be answered from the same question paper.
- Calculators are not allowed. Use the answer sheet itself.
- Malayalam version of the question paper is available.
- Give equations wherever necessary.
- Electronic devices except non-programmable calculators are not allowed in the Examination Hall.

നിർദ്ദേശങ്ങൾ :

- നിർദ്ദിഷ്ട സമയത്തിന് പുറമെ 15 മിനിറ്റ് 'കൂൾ ഓഫ് ടൈം' ഉണ്ടായിരിക്കും. ഈ സമയത്ത് ചോദ്യങ്ങൾക്ക് ഉത്തരം എഴുതാനോ, മറ്റുള്ളവരുമായി ആശയവിനിമയം നടത്താനോ പാടില്ല.
- ഉത്തരങ്ങൾ എഴുതുന്നതിന് മുമ്പ് ചോദ്യങ്ങൾ ശ്രദ്ധാപൂർവ്വം വായിക്കണം.
- എല്ലാ ചോദ്യങ്ങൾക്കും ഉത്തരം എഴുതണം.
- ഒരു ചോദ്യനമ്പർ ഉത്തരമെഴുതാൻ തെരഞ്ഞെടുത്തു കഴിഞ്ഞാൽ ഉപചോദ്യങ്ങളും അതേ ചോദ്യനമ്പറിൽ നിന്ന് തന്നെ തെരഞ്ഞെടുക്കേണ്ടതാണ്.
- കണക്ക് കുട്ടലുകൾ, ചിത്രങ്ങൾ, ഗ്രാഫുകൾ എന്നിവ ഉത്തരപേപ്പറിൽ തന്നെ ഉണ്ടായിരിക്കണം.
- ചോദ്യങ്ങൾ മലയാളത്തിലും നൽകിയിട്ടുണ്ട്.
- ആവശ്യമുള്ള സ്ഥലത്ത് സമവാക്യങ്ങൾ കൊടുക്കണം.
- പ്രോഗ്രാമുകൾ ചെയ്യാനാകാത്ത കാൽക്കുലേറ്ററുകൾ ഒഴികെയുള്ള ഒരു ഇലക്ട്രോണിക് ഉപകരണവും പരീക്ഷാഹാളിൽ ഉപയോഗിക്കുവാൻ പാടില്ല.

1. Rewrite the following if there are any mistakes.

Marginal cost curve will always cut the AC at any point of AC.

(Score : 1)

2. Prepare a production possibility Schedule and draw a production possibility curve on the basis of the schedule. How do you define the PPC ?

(Scores : 3)

3. Distinguish between revenue deficit and fiscal deficit.

(Scores : 2)

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" is located at the point of tangency between the budget and indifference curve." Explain with the help of a suitable diagram.

Hint : Indifference Curve Analysis

(Scores : 8)

5. Differentiate between fixed and floating exchange rates.

(Scores : 2)

6. Suppose there was a decrease in the price of good 'X' and as a result, the demand for good 'Y' increases. What will be the type of goods ?

(Score : 1)

7. Consider the following cost schedule of a firm and find AC, AVC and MC.

Output (in units)	Total Cost (in ₹)	Variable Cost (in ₹)	Average Cost (SAC) (in ₹)	Average Variable Cost (SAC) (in ₹)	Marginal Cost (in ₹)
1	150	50			
2	165	65			
3	175	75			
4	195	95			

(Scores : 4)

8. Give one word for the following :

The price of one unit of foreign currency in terms of domestic currency. (Score : 1)

9. Will a profit – maximizing firm in a perfectly competitive market ever produce a positive level of output in the range where the marginal cost is falling ? Give an explanation with the help of a diagram. (Scores : 4)

10. At the market price of ₹ 10, a firm supplies 4 units of output. The market price increases to ₹ 30. The price elasticity of the firm's supply is 1.25. What quantity will the firm supply at the new price ? (Scores : 4)

11. Adam Smith : Wealth of Nations 1776

J.M. Keynes : _____

(Score : 1)

12. Suppose in a two sector economy goods worth ₹ 150 crores are produced and income generated is also equal to ₹ 150 crores. Draw circular flow of economic activities in this economy and explain. (Scores : 4)

13. Explain through a diagram the effect of a rightward shift (increase) of both the demand and supply curves on the equilibrium price and quantity ?

(Scores : 5)

14. Classify the following under two heads Micro and Macro economics

Utility, Inflation, Price of rice, Taxes, GDP, Rent received by a shop owner, Extension in demand, Aggregate demand.

(Scores : 2)

15. "Production is the transformation of inputs into outputs". Justify the statement by citing examples from your local area. Also built a production function based on your example. (Scores : 3)

16. Write down the three identities of calculating the GDP of a country by the three methods. Also explain why each of these should give us the same value of GDP.

(Scores : 3)

17. "People desire to hold money balance broadly from two motives." Explain. (Scores : 4)

18. "The commercial banks can create money". Explain the process of money creation by commercial banks. (Scores : 5)

19. (a) Explain Effective Demand.

(b) What are the determinants of the value of aggregate demand ?

(c) Diagrammatically explain the change in Aggregate demand due to a change in government expenditure. (Scores : 8)

20. Perfect Competition : Price Taker

Monopoly : _____ (Score : 1)

21. Fill in the blanks :

(a) A balanced budget multiplier in a two sector economy implies that ₹ 100 increase in 'G' increases National Income by _____

(b) Gross primary deficit = _____ (Scores : 2)

22. Suppose a consumer can buy 6 units of good 'X' and 8 units of good 'Y' when she spends her entire income. If the prices of goods are ₹ 6 and ₹ 8 respectively, calculate income of the consumer. (Scores : 2)

23. Explain the short run equilibrium of a monopoly firm. (Scores : 4)

24. Explain Balance of Payments (BOP). What do you mean by balance of payment surplus and balance of payment deficit ? (Scores : 5)

25. Consider the demand curve $D = 10 - 3p$. What is the elasticity at price $\frac{5}{3}$? (Score : 1)

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