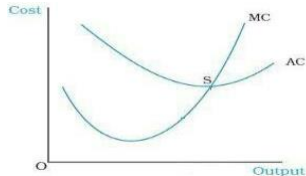# SECOND TERMINAL EXAMINATION 2018-19
Economics
Answer Key (Second Year)

QN. No.	SCORING KEY/VALUE POINTS	*MARKS*	TOTAL SCORE	
1	b) TR = TC	*1*	1	
2	c) National product	*1*	1	
3	d) 0.6	*1*	1	
4	a)One	*1*	1	
5	C) M3	*1*	1	
6	GNP	*1*	1	
7	Government	*1*	1	
8	Market Demand = Market Supply	*1*	1	
9	Monopoly market	*1*	1	
10	It is a situation when r = 0 Speculative demand for money is infinitely elastic	*1* *1*	2	
11	Equilibrium price = 40 Equilibrium quantity = 160	*1* *1*	2	
12	What to produce? And in what quantities? How to produce? For whom to produce?	*1* *1*	2	
13	When MPS increases, total savings of the economy either decreases or remain unchanged.	*2*	2	
14	Aggregate output of US decreases by 33% Un employment rate of US Increase from 3% to 25%	*1* *1*	2	
15	Equation Equation Es = $\dfrac{\Delta Q}{\Delta P} \times \dfrac{P}{Q}$ ES = 0.2 Relatively in elastic	*1* *1* *1*	3	ANY SIX (6 QUESTIONS)
16	 1. Both are 'U' shaped curves 2. Mc Cuts Ac at the minimum point of AC	*1* *1* *1*	3	
17	a) Policy of the government to stabilize the economy. b) Create employment opportunities, Control inflation etc.	*1* *1+1*	3	
18	Equation $Y = \dfrac{A}{1-c}$ Y=437.5	*1* *2*	3	

19	Short run supply curve is the rising portion of SMC. It begins from minimum point AVC. Below that point supply will be zero Long run supply curve is the rising portion of LRMC. It begins from minimum point of LRAC. Below that point supply will be zero.	*1 ½*		
20	Convex to the orgin, never intersects each other, higher indifference curve shows higher level of satisfaction	*1+1+1*	3	
21	Supply curve is a horizontal straight line, market price =minimum of Ac, Firms earn only normal profit.	*1+1+1*	3	
22	Price of the commodity, Technological progress, unit tax, Input price	*1+1+1+1*	4	ANY THREE QUESTIONS
23	Medium of exchange, Measure of Value, Store of value, Standard for deferred payments	*1+1+1+1*	4	
24	GDPmp = Rs.1500 crores, NNP mp = Rs. 1550 crores	*2+2*	4	
25	Tax Multiplier $= -\frac{c}{1-c}$ Government expenditure multiplier $= \frac{1}{1-c}$ Sum of these two multipliers is a balanced budget multiplier	*4*	4	
26	Yes, I agree with the statement. Freedom of entry and exit, if a firm earns super normal profit other firms enter into the market then market supply increase and reduce market price, then there only normal profit Diagram	*1* *2* *2*	5	ANY THREE QUESTIONS
27	Kerala → multiplier → 5 change in output → Rs. 500 crores Bihar→ multiplier → 1.43 change in output → Rs.142.86 crores U. P → multiplier → 1.66 change in output → Rs. 166.66 crores	*2* *1 ½* *1 ½*	5	
28	Single seller, No close substitute, price discrimination, Price maker, No freedom of entry and exist	*5*	5	
29	AP → 10, 11, 12, 12, 11, 10, 8.57, 7 MP → -/10, 12, 14, 12, 7, 5, 0, -4 Correct Diagram	*1* *1* *3*	5	
30	Correct flow chart with explanation	*8*	8	ANY TWO QUESTIONS
31	Open Market operation, Bank rate policy, Varying Reserve Ratios, Margin requirements etc.	*8*	8	
32.	Definitions of price ceiling and price floor After effects Correct diagram	*2* *1 ½ +1 ½* *1 ½ +1 ½*	8	