

FIRST TERMINAL EVALUATION 2019-2020

SECOND YEAR ECONOMICS

TIME : 2 ½ Hours

Maxi Mark: 80

Questions from 1 to 12 carries 1 mark each.

- |      |  |   |
|------|--|---|
| Q:1  | a. Adam Smith  | 1 |
| Q:2  | Any attempt.   |   |
| Q:3  | a. Decreases   |   |
| Q:4  | b. Marginal Cost   |   |
| Q:5  | a. Depreciation  |   |
| Q:6  | Law of Demand  |   |
| Q:7  | Monotonic Preference   |   |
| Q:8  | Personal Income  |   |
| Q:9  | GDP <sub>MP</sub> OR NI  |   |
| Q:10 | Net Indirect Tax = Indirect Taxes - Subsidy  |   |
| Q:11 | NDP = GNP - Depreciation<br>OR<br>GDP = GNP - Net factor Income from abroad.   |   |
| Q:12 | Wage is the remuneration for using labour in the production process.<br>Questions from 13 to 18 carries 2 scores each. |   |
| Q:13 | Firms, Households, Govt., External sector.   |   |

Q:14 Reason behind the U-shape of MC curve  
- The Law of diminishing returns.  
- Explain the law of diminishing return concept.

Q:15 micro macro  
statements: a & d statements: b & c

Q:16 a. Increase in income  
b. favourable change in non-price factors  
c. Population increase  
d. Rise in the price of one among the substitute goods etc

Q:17 stock Flow  
a. measured at a point of time a. measured ~~in~~ a specific period of time  
b. static concept b. Dynamic concept  
c. No time limit c. (over a period of time). No time limit

Q:18 Substitute Goods Complementary Goods  
a. used as a substitute b. more than one good is required (consumed together)  
b. The price & demand move in the same direction b. The price & demand move in the opposite direction.

Q:19 Questions from 19 to 25 - Each carries 3 scores.

$$a. ed = \frac{\Delta q}{\Delta P} \times \frac{P}{q} = \frac{15}{4} \times \frac{4}{20} = .75$$

b. Elastic Demand.

Q:20	Producer	value of output	- Intermediat consumption	Value Added
	mining	200	-	200
	steel	450	- 200	250
	car	300	- 450	250

value added =  $200 + 250 + 250 = \underline{700}$

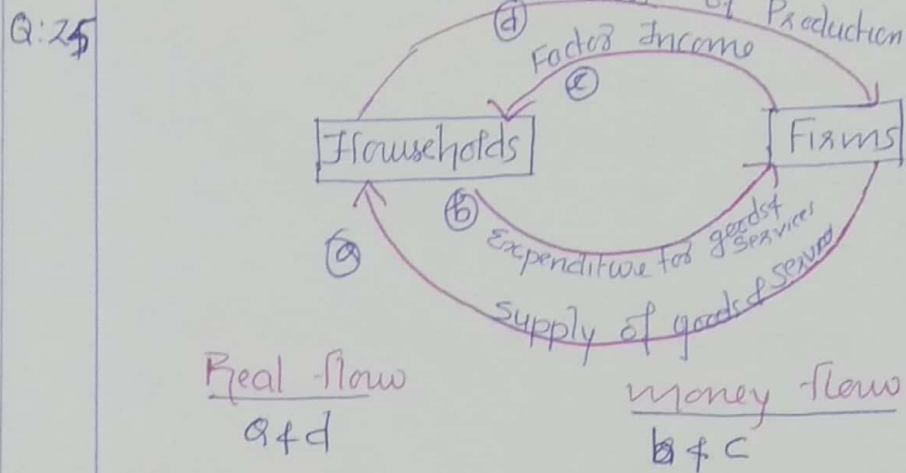
- |      |                       |                    |
|------|-----------------------|--------------------|
| Q:21 | <u>Socialism</u>      | <u>Capitalism</u>  |
|      | a. Social Welfare     | a. Profit Motive   |
|      | b. Planning Mechanism | b. Price Mechanism |

Q:22 a.  $\rightarrow$  TFC    b.  $\rightarrow$  TVC    c.  $\rightarrow$  TC

Q:23 contains

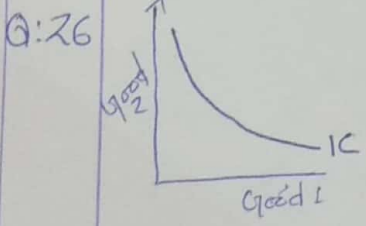
- a. Classical Economics
- b. Great Depression

a. Invisible Hand  
 b. Says Law  
 c. Full Employment



Q:29 Planned Accumulation  $\rightarrow$  Deliberate increase in the stocks of goods of a firm  
 planned Decumulation  $\rightarrow$  Deliberate decrease in the inventories of a firm.

Q: Questions from 26 to 30. Each carries 4 scores.



- a. IC slopes downwards from left to right
- b. ICs are convex to the origin
- c. ICs do not cut each other.

4 ↓

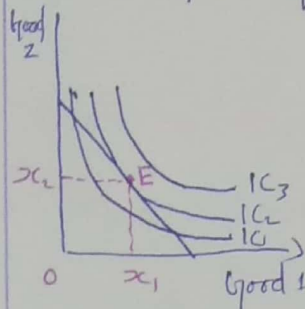
Q:27 No. GPP is not a good indicator of welfare

- # unequal distribution of income
- # Externality
- # Non monetary transactions.

Q:28 a. PPC - Definition  
 b. (i) → Full & Efficient utilisation of resources  
 (ii) → Under utilisation of resources  
 (iii) → Growth of resources.

Q:29 a. Law of Returns to scale  
 b. Increasing, constant and Decreasing returns to scale.

Q:30 Consumer Equilibrium



Conditions

1. MRS equals price ratio
  2. slope of IC is equal to slope of budget line
- $$MRS = \frac{-P_1}{-P_2}$$

Questions from 31 to 33. Each carries 5 scores.

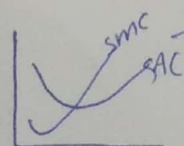
Q:31 a. Utility → The want satisfying power of a good.

b.

units	0	1	2	3	4	5	6
TU	0	8	14	18	20	20	18
MU	0	8	6	4	2	0	-2

c. consumption increases, marginal utility decreases

Q:32 a. SAC → cost per unit of output in the short run  
 SMC → change in total cost per unit of change in output.



1. SAC & SMC initially falls & later rise
2. SAC & SMC - U shaped
3. SMC & SAC are equal at the minimum point of SAC.

Q:33 a.  $\text{GDP Deflator} = \frac{\text{GDP}}{\text{gdp}}$   
 $= \frac{75000}{60,000} = 1.25$   
 In % it is 125

b. GDP Deflator

Consumer Price Index

1. It measures the prices of all goods & services produced

1. It measures the prices of only the goods & services bought by the consumers.

2. Only goods produced domestically

2. It includes foreign goods too

3.  $\text{GDP Deflator} = \frac{\text{GDP}}{\text{gdp}} \times 100$

3.  $\frac{\text{Current year cost of a basket of commodities in the current year}}{\text{Cost of the same commodity in the base year}}$

Q:34 Questions from 34 to 36. Each carries 8 scores.

a.  $\text{GDP}_{mp} = \text{GVA in Primary} + \text{Secondary} + \text{Tertiary sectors}$

$\sum_{i=1}^N \text{GVA}_i$

$\text{GDP}_{mp} = \sum_{i=1}^N \text{RV}_i = C + I + G + X - M$

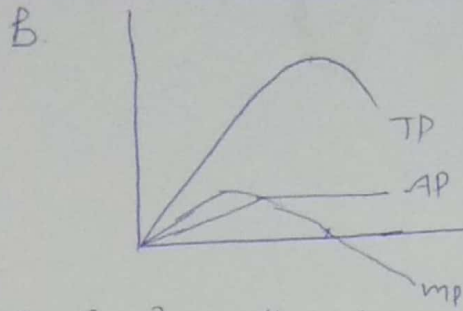
$\text{GDP} = W + R + In + P$

b. Write any 2 methods of NI calculation

- a. product method
- b. Expenditure method
- c. Income method

Q:35 a.

Variable Input	0	1	2	3	4	5	6	7	8
TP	0	2	6	14	20	24	26	26	24
$AP = \frac{TP}{x}$	-	2	3	4.6	5	4.8	4.3	3.7	3
MP	-	2	4	8	6	4	2	0	-2



c. Explain the Law of variable proportion theory.

Q:36

a.  $P_1x_1 + P_2x_2 = M$

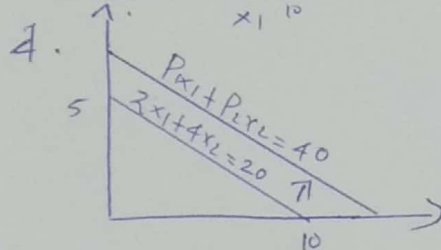
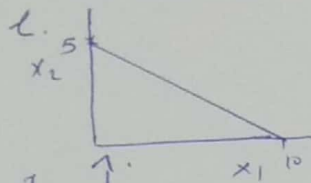
$2x_1 + 4x_2 = 20$

$P_1 = 2$

$P_2 = 4$

$M = 20$

b. (10,0) (8,4) (6,2) (4,3) (2,4) (0,5)



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