

Second Year – March 2017Time : 2 ½ Hours
Cool-off time : 15 Minutes

Part – III

ECONOMICS

Maximum : 80 Scores

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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 select a question, all the sub-questions must be answered from the same question itself.
- Calculations, figures and graphs should be shown in the answer sheet itself.
- Malayalam version of the questions is also provided.
- 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 കൂട്ടലുകൾ, ചിത്രങ്ങൾ, ഗ്രാഫുകൾ എന്നിവ ഉത്തരപേപ്പറിൽ തന്നെ ഉണ്ടായിരിക്കണം.
- ചോദ്യങ്ങൾ മലയാളത്തിലും നൽകിയിട്ടുണ്ട്.
- ആവശ്യമുള്ള സ്ഥലത്ത് സമവാക്യങ്ങൾ കൊടുക്കണം.
- പ്രോഗ്രാമുകൾ ചെയ്യാനാകാത്ത കാൽക്കുലേറ്ററുകൾ ഒഴികെയുള്ള ഒരു ഇലക്ട്രോണിക് ഉപകരണവും പരീക്ഷാഹാളിൽ ഉപയോഗിക്കുവാൻ പാടില്ല.

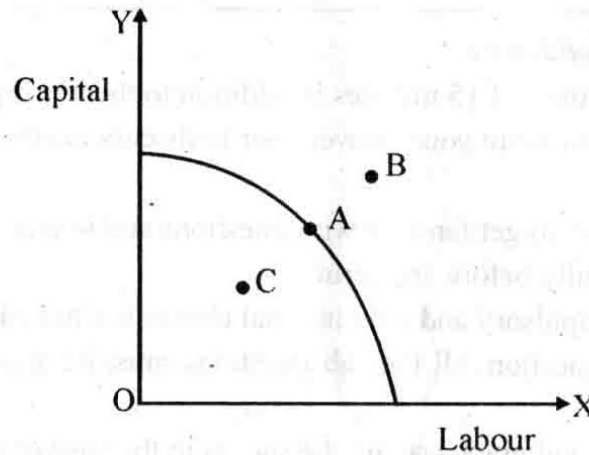
1. Which one of the following condition is not satisfied by the long run equilibrium of a firm under perfect condition ?

- (a) $P = AR$
- (b) $AR = MR$
- (c) $MC = MR$
- (d) $AFC = AVC$

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(Score : 1)

2. Identify the curve given below. What does the points A, B, C represents ?



(Scores : 3)

3. Match the following :

- M_1 : Most commonly used measure of money supply
- M_2 : Least liquid form of money supply
- M_3 : M_1 + Post Office Savings Deposits
- M_4 : CU + DD

(Score : 1)

4. Fill in the blanks :

I. _____ = Revenue Expenditure – Revenue Receipts.

II. Primary Deficit = _____ – Net Interest Liabilities.

(Scores : 2)

5. Suppose the demand and supply functions of wheat are given by $Q_D = 800 - 4P$ and $Q_S = 600 + 4P$ respectively.

I. Find the equilibrium price and quantity demanded.

II. Due to a shortage of fertilizers, the cost of production of wheat is increased. So that the new supply function is $Q_S = 400 + 4P$. What will happen to the equilibrium price and quantity demanded ?

(Scores : 4)

6. Explain the working of a pegged exchange rate system with suitable diagram. (Scores : 5)
7. Why there is different price elasticity along a linear demand curve ? Illustrate with the help of a diagram. (Scores : 4)

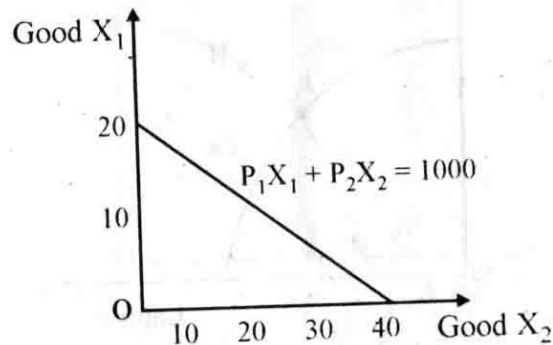
8. Write a note on the interest responsiveness of the following motives for the demand for money.

- I. Transaction Motive
- II. Precautionary Motives
- III. Speculative Motives

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(Scores : 6)

9. From the Budget line shown below, find the price of good X_2 given that the price of X_1 good is ₹ 30. The equation on the Budget line is given as $P_1X_1 + P_2X_2 = 1000$.



(Hint : X and Y axes shows the number of units of respective goods purchased)

(Scores : 2)

10. Which of the following is not correct ?

- I. $Y = C + I + G + X - M$
- II. $GNP = GDP + \text{Net Factor Income from abroad}$
- III. $NNP = GNP - \text{Depreciation}$
- IV. $NDP = GDP - \text{Net Indirect Taxes}$

(Score : 1)

11. Goods which are consumed together is known as

- (a) Substitute goods
- (b) Complementary goods
- (c) Normal goods
- (d) Giffen goods

(Score : 1)

12. Elucidate the working of Autonomous Expenditure Multiplier Mechanism with a suitable example. Show the impact of a decline in MPC on multiplier. (Scores : 4)

13. Match the following :

A	B
$f(kX_1, kX_2) = k.f(X_1, X_2)$: Increasing returns to scale
$f(kX_1, kX_2) < k.f(X_1, X_2)$: Decreasing returns to scale
$f(kX_1, kX_2) > k.f(X_1, X_2)$: Constant returns to scale

(Score : 1)

14. Which among the following is not a characteristic of a Capitalist Economy ?

- (a) Wages and prices are administered by the government.
- (b) Private ownership of means of production.
- (c) Production takes place for exchange.
- (d) Sale and purchase of labour services at a price is called wage rate.

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(Score : 1)

15. Rising portion of long run marginal cost curve from the minimum of long run average cost curve is known as

- (a) Long run supply curve of the firm.
- (b) Long run demand curve of the firm.
- (c) Variable cost curve of the firm.
- (d) Fixed cost curve of the firm.

(Score : 1)

16. Graphically explain the short run equilibrium of the firm under Perfect Competition. Draw separate diagram depicting the following conditions :

- I. The firm is earning super normal profit.
- II. The firm is earning only normal profit.
- III. The firm is incurring a loss.

(Scores : 8)

17. How does equilibrium price and quantity demand affected when

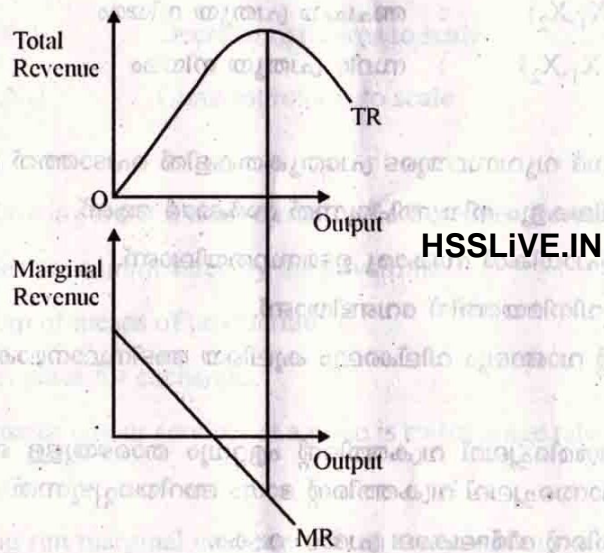
- I. Both demand and supply curves shifts in the same directions.
- II. Demand and supply curve shifts in the opposite directions.

(Scores : 4)

18. Why the Average Revenue Curve and Marginal Revenue Curve of a firm under monopolistic competition is negatively sloped ?

(Scores : 3)

19. Examine the diagram given below. Identify the mistake and redraw the diagram. What is the relation between Total Revenue and Marginal Revenue as the firm expands its output ?

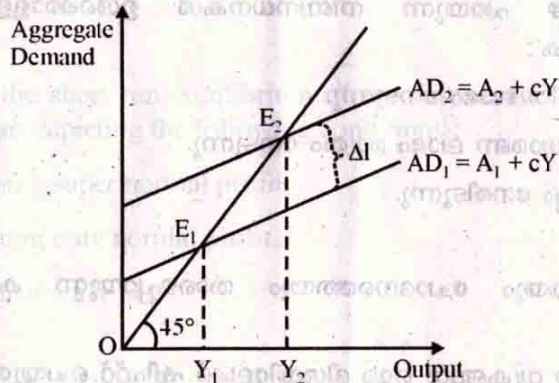


(Scores : 4)

20. Distinguish between a stock and flow variables. Illustrate with examples. (Scores : 3)

21. Explain the concept of High powered money. (Scores : 2)

22. Consider the following diagram. Answer the following questions :



- I. What does the 45° line represent ?
- II. What is the difference between A_1 and A_2 ?
- III. List two possible reasons for an increase in Autonomous Expenditure.
- IV. When the economy moved from E_1 to E_2 , the Aggregate output is increased more as compared to Aggregate Expenditure. Why ?
- V. Explain the movement of the economy from E_1 to E_2 .

(Scores : 8)

23. Among the following choose the one which represents the multiplier
- (a) $\frac{1}{1 - mps}$ (b) $\frac{1}{1 - mpc}$
- (c) $\frac{1 - mpc}{mps}$ (d) $\frac{1 - mps}{mpc}$ (Score : 1)
24. Distinguish between Revenue Expenditure and Capital Expenditure. (Scores : 2)
25. Differentiate between Devaluation and Depreciation. (Scores : 2)
26. The following table shows the total cost schedule of a firm. Calculate TVC, AFC, AVC, SAC and SMC schedules.

Quantity	Total Cost
0	20
1	70
2	110
3	140
4	160
5	170
6	170

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(Hints : TVC = Total Variable Cost, AFC = Average Fixed Cost, AVC = Average Variable Cost, SAC = Short run Average Cost, SMC = Short run Marginal Cost)

(Scores : 6)