

General Instructions:

1. All questions in both the sections are compulsory.
2. Marks for questions are indicated against each.
3. Question Nos. **1** and **13** are very short answer questions carrying **1** mark for each part. They are required to be answered in one sentence each.
4. Question Nos. **2-5** and **14-17** are short answer questions carrying **3** marks each. Answer to them should not normally exceed 60 words each.
5. Question Nos. **6-9** and **18-21** are also short answer questions carrying **4** marks each. Answer to them should not normally exceed 70 words each.
6. Question Nos. **10-12** and **19-24** are long answer questions carrying **6** marks each. Answers to them should not normally exceed **100** words each.
7. Answers should be brief and to the point and the above word limits be adhered to as far as possible.
8. All of the questions should be answered at one place.

ECONOMICS 2005 (Delhi)

SECTION - A

Q1. Answer the following questions:

- a) Define market supply.
- b) What is meant by producer's equilibrium?
- c) Define marginal physical product
- d) Define equilibrium price. **4x1**

Q2. State any three causes of a right shift of demand curve of a commodity. **3**

Q3. State the geometric method of measuring price elasticity of supply (In case of straight supply curve). **3**

Q4. What is the relation between marginal cost and average variable cost? **3**

Q5. State three main features of perfect competition. **3**

Q6. Complete the following table:

Output (Units)	Price (Rs.)	Total Revenue	Marginal Revenue (Rs.)
1	12	—	—
2	10	—	—
3	8	—	—
4	6	—	—

Q7. Distinguish between 'change in supply' and 'change in quantity supplied' of a commodity. (Use diagrams) **4**

Or

Explain any two determinants of supply of a commodity.

Q8. Explain the problem of 'what to produce' with the help of an example. **4**

Q9. The quantity demanded of a commodity at a price of Rs. 8 per unit is 600 units. Its price falls by 25 per cent and quantity demanded rises by 120 units. Calculate its price elasticity of demand. Is its demand elastic? Give reason for your answer. **4**

Q10. Explain consumer's equilibrium, in case of a single commodity, with the help of a utility schedule. **6**

Or

How is the demand of a commodity affected by changes in the price of related goods? Explain with the help of diagrams.

Q11. Explain the law of variable proportion with the help of total and marginal physical product curves. **6**

Q12. How does an increase in demand of a commodity affect its equilibrium price and equilibrium quantity? Explain with the help of a diagram. **6**

SECTION – B

Q13. Answer the following questions:

- a) Why is repayment of loan a capital expenditure?
- b) Define macroeconomics.
- c) What is meant by balance of trade?
- d) Give two examples of microeconomic studies. **4x1**

Q14. From the following data about firm 'X', calculate gross value added at factor cost by it: **3**

	Rs. (in thousand)
(i) Sales	500
(ii) Opening stock	30
(iii) Closing stock	20
(iv) Purchase of intermediate produce	300
(v) Purchase of machinery	150
(vi) Subsidy	40

Q15. Explain the meaning of deflationary gap with the help of a diagram. **3**

Q16. What is meant by revenue deficit? What are its implications? **3**

Q17. Complete the following table:

3

Level of income (Rs.)	Consumption expenditure	Marginal Propensity to consumer	Marginal Propensity to save
400	240	—	—
500	320	—	—
600	395	—	—
700	465	—	—

Q18. State the main functions of a central bank.

4

Q19. What is meant by visible and invisible Items in the Balance of Payments account? Give two examples of invisible items.

4

Or

What is meant by foreign exchange rate? Give three reasons why people desire to have foreign exchange.

Q20. Explain any two functions of a commercial bank.

4

Q21. Distinguish between:

- Revenue receipts and capital receipts.
- Direct tax and Indirect tax.

Q22. From the following data, calculate:

3, 3

- Personal disposable income and
- National income

	Rs.(income)
a) Private income	
b) Compensation of employees	3,000
c) Mixed income of self employed	800
d) Net factor income from abroad	900
e) Net retained earnings of private enterprises	(-)50
f) Rent	600
g) Profit	350
h) Consumption of fixed capital	600
i) Direct taxes paid by households	200
j) Corporate tax	300
k) Net indirect taxes	350
l) Net exports	250
m) Interest	(-)70
	450

Q23. Explain the working of investment multiplier with the help of a numerical example. **6**

Or

In an economy planned savings exceed planned investment. How will the equality between the two be achieved? Explain.

Q24. Distinguish between the following giving suitable examples in support of your answer:

(a) Domestic product and national product

(b) Intermediate product and final product

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