

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 question should be answered at one place.

ECONOMICS 2005 (Outside Delhi)

SECTION – A

Q1. Answer the following questions: **1X4**

- (a) Define production function.
- (b) What is meant by producer's equilibrium?
- (c) What causes an upward movement along a supply curve?
- (d) Under which market form, is a firm a price-taker?

Q2. Explain the law of demand with the help of a demand schedule. **3**

Q3. Give three causes of an increase in the supply of a commodity. **3**

Q4. What is the relationship between marginal revenue and average revenue? **3**

Q5. State the main features of a monopoly market. **3**

Q6. Complete the following table:

Output (Units)	Total Cost (Rs.)	AVC Revenue	Marginal Cost (Rs.)
0	80	-	-
1	180	-	-
2	270	-	-
3	350	-	-
4	440	-	-

Q7. At a price of Rs. 50 per unit, the quantity demanded of a commodity is 1000 units. When its price falls by 10 per cent, its quantity demanded rises to 1080 units. Calculate its price elasticity of demand. Is its demand inelastic? Give reasons for your answer. **4**

Q8. Define price elasticity of supply. How is it measured by geometric method? (In case of a straight line supply curve) **4**

Q9. Explain the problem of 'how to produce' with the help of an example. **4**

Or

Explain the problem of 'what to produce' with the help of a production possibility curve.

Q10. How does a consumer reach equilibrium position when he is buying only one commodity? Explain with the help of marginal utility schedule. **6**

Or

Briefly explain any *three* factors that shift the demand curve to the right.

Q11. Distinguish between returns to a factor and returns to scale. Explain the reasons for increasing returns to a factor. **6**

Q12. How does an increase in supply 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: **1X4**

(i) Define micro-economics.

(ii) Give two examples of macro-economic studies.

(iii) Why are borrowings treated as capital receipts?

(iv) What is meant by balance of payments account?

Q14. Explain the meaning of equilibrium level of national income, with the help of a diagram. **3**

Q15. From the following data about a firm 'A', calculate net value added at market price by it: **3**

Rs. (in thousands)

(i) Sales	700
(ii) Change in stock	40
(iii) Depreciation	80
(iv) Net indirect taxes	100
(v) Purchase of machinery	250
(vi) Purchase of intermediate products	400

Q16. What is the basis of classifying government expenditure into revenue expenditure and capital expenditure? Give an example of each. **3**

Q17. Complete the following table: **3**

Income (Rs.)	Consumption Expenditure (Rs.)	Marginal Propensity to Consume	Marginal Propensity to save
1,000		-	-
1,200	900	-	-
1,400	1,060	-	-
1,600	1,210	-	-
	1,350	-	-

Q18. State any three main functions of a central bank. Describe any one of them. **4**

Q19. Explain the meaning and implications of fiscal deficit. **4**

Q20. List four items each of current account and capital account of the balance of payments account. **4**

Or

Mention four sources each of demand and supply of foreign exchange.

Q21. Briefly explain any four main functions of a commercial bank. **4**

Q22. Explain briefly the distinction between: **6**

(a) Gross domestic product at factor cost and Net national product at market price

(b) National income and Net national disposable income.

Q23. Explain with the help of a numerical example how an increase in investment in an economy affects its level of income. **6**

Or

Why should planned savings and planned investment be equal at equilibrium level of income?
Explain with the help of a diagram.

Q24. From the following data, calculate

(a) National income, and

(b) Personal disposable income.

	Rs. (in crores)
(i) Compensation of employees	
(ii) Rent	1,200
(iii) Profit	400
(iv) Consumption of fixed capital	800
(v) Mixed income of self-employed	300
(vi) Private income	1,000
(vii) Net factor income from abroad	3,600
(viii) Net retained earnings of private enterprises	(-) 50
(ix) Interest	200
(x) Net indirect taxes 350	250
(xi) Net exports	350
(xii) Direct taxes paid by households	(-) 60
(xiii) Corporate tax	150
	100