

Series REC

Code No. STGL/1

Roll No.

--	--	--	--	--	--	--

Candidates must write the Code on the title page of the answer-book.

- Please check this question paper contains 7 printed pages.
- Code number given the right hand side of the question paper should be written on the title Page of the answer-book by the candidate.
- Please check that this question paper contains 24 questions.
- Please write down the Serial Number of the question before attempting it.
- 15 minutes time has been allotted to read this question paper.

ECONOMICS

Time Allowed: 3 hours

Maximum Marks: 80

General Instructions:

- (i) All questions in both sections are compulsory.
- (ii) Marks for questions are indicated against each question.
- (iii) Questions number 1—4 and 13—16 are very short answer questions carrying 1 mark each. They are required to be answered in one sentence each.
- (iv) Questions number 5—6 and 17—18 are short answer questions carrying 3 marks each. Answers to them should not normally exceed 60 words each.
- (v) Questions number 7—9 and 19—21 are also short answer questions carrying 4 marks each. Answers to them should not normally exceed 70 words each.
- (vi) Questions number 10—12 and 22—24 are long answer questions carrying 6 marks each. Answers to them should not normally exceed 100 words each.
- (vii) Answers should be brief and to the point and the above word limit be adhered to as far as possible.

SECTION - A

1. Government has imposed GST on the production of a given good. What will be its impact on the supply of the given good? (Choose the correct alternative) **1**
(a) It will increase (b) It will decrease.
(c) There will be no impact on the supply of the good. (d) None of the above
2. What is the shape of Marginal Revenue Curve in an imperfectly competitive market? **1**
3. At zero level of output, if Total Cost is 200, how much will be Average Fixed Cost at this level of output? (Choose the correct alternative) **1**
(a) Zero (b) 100
(c) 200 (d) Infinity
4. What is meant by collusive oligopoly? **1**
5. Giving reason, state the impact of the following on the elasticity of demand for a commodity: **1**
(a) Essential of life like water. (b) Substitutes not being available for a commodity.
(c) Proportion of income spent on a good. **3**
6. Explain the implication of non-price competition in an oligopoly market. **3**

OR

What is maximum price ceiling? On what type of goods is it normally imposed?

Use diagram.

7. What will be the impact of large scale inflow of foreign capital in India on Production Possibility Curve and why? 4
8. Explain the meaning of a 'budget line'. When can it shift to the right? 4

OR

Explain the concept of 'Marginal Rate of Substitution' (MRS) by giving an example. What happens to MRS when consumer moves downwards along the indifference curve?

9. Complete the following table: 4

Output (Units)	MR (Rs.)	TR(Rs.)	AR(Rs.)
1	—	10	—
2	8	—	—
3	0	—	—
4	—	—	4

10. Suppose the demand and supply curves of salt are given by:

$$q^d = 1000 - p$$

$$q^s = 700 + 2p$$

(a) Find the equilibrium price and quantity.

(b) Now suppose that the price of an input used to produce salt has increased so that the new supply Curve is:

$$q^s = 400 + 2p$$

How does the equilibrium price and quantity change?

(c) Analyse the new equilibrium price and new equilibrium quantity as against the original equilibrium Price and equilibrium quantity. 6

11. Why is minus sign attached to the measure of price elasticity of demand of a normal good in comparison to the plus sign attached to the measure of price elasticity of supply? Explain with the help of a relevant schedule in both the cases. 6

12. (a) Sachin, the given consumer, consumes only two goods X and Y whose prices are Rs.2 and Rs.1 per unit respectively. If he chooses a combination of the two goods with Marginal Utility of X being 4 and that of Y also being 4, is the given consumer in equilibrium? Give reasons.

(b) Identify which of the following statements is not true for the Indifference curve theory. Give valid reason for your choice of the answer.

(i) An indifference curve is convex to the origin.

(ii) An indifference curve is downward sloping from left to right.

(iii) An indifference curve to the right shows less utility level. 6

OR

Explain any three factors determining elasticity of demand.

SECTION - B

13. What is the part of LRR kept by the banks with themselves known as? 1

14. Name the two instruments of monetary policy of Reserve Bank of India. 1

15. In an economy investment increased by Rs.10 crores when the income increase by Rs.50 crores. The value of multiplier in this case is: (Choose the correct alternative) 1

(a) 3

(b) 4

(c) 5

(d) 6

16. What is 'involuntary unemployment'? 1

17. Explain the basis of classifying government expenditure into revenue expenditure and capital expenditure. Give two examples of each. 3

OR

Classify the following into capital receipts and revenue receipts. Give reason Mr. your answer.

- (a) Recovery of loans (b) Interest received on loans
(c) Dividend received from public enterprise

18. How is tax revenue different from the administrative revenue? Explain. **3**
What are externalities? Give an example of a positive externality and its impact on welfare of the people. **4**

OR

Distinguish between final goods and intermediate goods. Give an example of each.

19. What is money multiplier? How will you determine its value? Which ratios play an important role in the determination of the value of the money multiplier? **4**
20. Explain all the changes that take place in an economy when aggregate demand and aggregate supply are not equal. **4**
21. (a) Give the main steps involved in the measurement of National Income by the value-added method.
(b) Calculate Net Value Added at factor cost from the following data:

	(Rs. in lakhs)	
(i) Net factor income from abroad	30	
(ii) Sales	3,500	
(iii) Purchase of intermediate goods	2,000	
(iv) Consumption of fixed capital	500	
(v) Exports	400	
(vi) Indirect taxes	350	
(vii) Change in stock	50	3, 3

OR

Are the following items a part of country's 'Net Domestic Product' at 'Market Price'? Give reasons for your answer.

- (a) Net indirect taxes (b) Net exports
(c) Net factor income from abroad (d) Consumption of fixed capital

22. Explain the distinction between autonomous and accommodating transactions in Balance of Payments. Also explain the concept of Balance of Payments deficit in this context. **6**
23. State whether the following statements are True or False. Give valid reasons for your answer. **6**
(a) Value of Investment Multiplier varies between zero and infinity.
(b) There is an inverse relationship between the value of Marginal Propensity to save and Investment Multiplier.
(c) The value of Average Propensity to Save can never be greater than one.