

[Maximum Marks:80]

[Time allowed: Three hours]

Answer Question (co) **Answer All Questions from Part A and part B**

PART A

[20 marks]

Question 1.

- i. What is high powered money?
- ii. What are the conditions of long run equilibrium under perfect competition.
- iii. Bring out two differences between returns to a factor and returns to scale.
- iv. Why does marginal utility decrease and then become negative?
- v. How is elasticity of supply different from supply of a commodity.
- vi. Bring out two Similarities of Monopoly and Monopolistic competitive Market
- vii. What is the difference between balance of trade and balance of payment.
- viii. Which of the following not included in the estimation of national income. Give reason
 - a. Sale of an old scooter
 - b. Winning a lottery.
 - c. Gifts received from abroad.
 - D. Furniture purchased by the household

ix. Discuss two qualitative measures of controlling credit.

x. Define investment. Distinguish between autonomous investment and induced investment.

PART II

[60 marks]

Question 2.

- a) Explain with the help of a neat diagram how a perfectly competitive firm earns normal profit in the short run? [3]
- b. Derive a market demand schedule from a hypothetical individual demand schedules. [3]
- c. Explain the components of current account of the balance of payments. [6]

Question 3

- a. Explain the difference between regressive tax and degressive tax. [3]
- b. Distinguish between developmental and non developmental expenditure of the government. [3]
- c. Distinguish between Revenue deficit, Fiscal deficit and Primary Deficit. [6]
- Discuss each ones implications on the economy. [6]

Question 4.

a. Complete the following table [3]

Y	C	MPC	MPS	APC
1000	800			
2000	1500			
3000	2100			
4000	2600			

b. Distinguish between the following cost.

i. Accounting cost and opportunity cost

ii. Private cost and social cost

[3]

c. Explain the concept of deficient demand using a neatly labelled diagram.

Suggest one fiscal measure and one monetary measure to correct deficient demand.

[6]

Question 5.

a. Explain the relationship between average Revenue and Marginal revenue curve.

[3]

b. Describe the shape of the following curves.

i.TFC

ii.AFC

iii.TVC

[3]

c..On the basis of the following data, Calculate i.Gross value added at market prices by all the sectors and b. National income.

i.	Value of output of:	(rs.Crore)
a.	Primary Sector	800
b.	Secondary sector	200
c.	Tertiary sector	300

ii) Value of intermediate inputs purchases by

a.	Primary Sector	400
b.	Secondary Sector	100
c.	Tertiary sector	50

iii) Indirect taxes paid by all the sectors

50

iv)Consumption of fixed capital of all the sectors

80

v) Factor income received from residents abroad

10

vi) Factor income paid to non-residents

20

vii)Subsidies received by all the sectors

20

Question 6.

1. Discuss the problem of double counting in the estimation of National income. How is the problem solved? [3]
2. With the help of a diagram, show the circular flow of income in a three sector model with all the leakages and injections [3]
- c. Explain the saving investment approach of determining income and output. [6]