ANSWER KEY
ECONOMICS II
SECOND YEAR FIRST TERMINAL EXAMINATION AUG 2023

TIME:2 ½ Hrs

Max Score:80

Qn. Nos	SUB QNS	ANSWER KEY/VALUE POINTS	SCORE	TOTAL
1		a) Price theory	1	
2		c) J.M,Keynes	1	
3		b) Utility	1	
4		a) Depreciation	1	
5		a) Variable	1	
6		b) House Wife	1	
7		a) Unitary	1	
8		c) Rectangular Hyperbola	1	
9		c) TC	1	
10		b) Pen and Ink	1	8x1=8
		Answer any 4 from 11 to 15		
11		Micro – Utility,Price of rice Macro – Inflation, Taxes	1 1	2
12		Four Sectors of the Economy	1/2 x4	2
13		Monotonic Preference- Definition Example	1 1	2
14		Stock – 2 points Flow - 2 points	2 2	4
15		Any two features of market economy	1+1	2
				4x2=8
		Answer any 4 from 16 to 20		
16		Law of DMU....Explanation ...Diagram	2 1	3
17		Central Economic Problems – points with explanation	1 each	3
18		Drawing PPC and marking 3 points	1 each	3
19		Any 3 properties of Indifference curve	1 each	3
20		Returns to scale--- 3 stages IRS, CRS. DRS points with explanation	1 each	3
				4x3=12
		Answer any 4 from 21 to 25		
21		Relationship b/n AC and MC---- any four points	1 each	4
22		Drawing circular flow and marking the flows correctly	1 each	4
23		Ep= formula calculation, Ep = 50/1 x 5/100 = 2.5 nature of elasticity	1 2 1	4

24		GDP = C + I+ G +NET EXPORT =1650 +1450 +300+ 100 = 3500	1 3	4
25	a b	Expansion and contraction of DD....Diagram. Explanation Increase and decrease in DD.....Diagram. explanation	2 2	4
				4X4=16

Answer any 4 from 26 to 30

26		GDP Deflator......Definition Formula Calculation...8500/7000x100 = 121.42 % interpretation...current year prices increased by 21.42 %	1 1 2 1	5
27		Consumer's Equilibrium Explanation and Diagram	3 + 2	5

Q	TC	TFC	TVC	AFC	AVC	MC		
0	10	10	0	-----	0	-----		
1	30	10	20	10	20	20		
2	45	10	35	5	17.5	15		
3	55	10	45	3.3	15	10		
4	70	10	60	2.5	15	15	1X5	5
5	90	10	80	2	16	20		
6	120	10	110	1.6	18.3	30		

(Row 28)

29		Five degrees of price elasticity—drawings with explanation	1x5	5
30		GDP is not always a welfare index Four arguments with explanation	1 1x4	5
				4x5=20

Answer any 2 from 31 to33

31	a b c d e f g h	$4X_1+5X_2 = 20$ Draw budget line....M/P1=20/4=5, M/P2= 5 consumer can buy 5 units of good 1 Slope Of BL = --P1/P2 = -4/5 = --0.8 BL shifts parallely rightward $4X_1 +5X_2 = 40$ Drawing new budget line....H I=10 , VI=8 Slope of new BL= - p1/p2= -- 0.8	1 1 1 1 1 1 1 1	8x1=8
32		Law of variable proportion....Explanation Diagram	5 3	8
33		Methods of measurement of national income Output method. Income method. Expenditure method Naming methods and equations only.......3 marks	3+ 3+2	8
				2x8=16