

Answer any 8 questions from 1 to 10. Each carries 1 score.

(8 × 1 = 8)

1. Which among the following is a characteristic of Centrally planned economy ?
 - (a) Private ownership
 - (b) Profit motive
 - (c) Central problems solved by price mechanism
 - (d) Central problems solved by planning mechanism

2. Change in total cost for an additional unit change in output is
 - (a) Average Fixed Cost
 - (b) Average Variable Cost
 - (c) Marginal Cost
 - (d) Average Cost

3. Which among the following is a situation in which a firm earn normal profit ?
 - (a) Total revenue = Total cost
 - (b) Total revenue > Total cost
 - (c) Total revenue < Total cost
 - (d) None of these

4. The imposition of lower limit on the price of good or service by government is
 - (a) Price ceiling
 - (b) Price floor
 - (c) Excess demand
 - (d) Equilibrium price

5. The founding father of modern economics –
- (a) Alfred Marshall (b) J.M. Keynes
(c) Paul A. Samuelson (d) Adam Smith
6. Which one of the following is a stock variable ?
- (a) Income (b) Expenditure
(c) Capital (d) Investment
7. The rate at which central bank gives loans to commercial banks is
- (a) Market rate of interest (b) Bank rate
(c) Repo rate (d) Reverse repo rate
8. Equation of money multiplier is
- (a) Cash Reserve Ratio \times 100
(b) $\frac{1}{\text{Cash Reserve Ratio}}$
(c) $\frac{100}{\text{Cash Reserve Ratio}}$
(d) $\frac{\text{Cash Reserve Ratio}}{100}$
9. Rate of change in savings as income increases is
- (a) Average propensity to consume
(b) Average propensity to save
(c) Marginal propensity to save
(d) Marginal propensity to consume
10. Which one of the following is not a component of current account of balance of payments ?
- (a) Investment
(b) Trade in goods
(c) Trade in services
(d) Transfer payments

Answer any 4 questions from 11 to 15. Each carries 2 scores. (4 × 2 = 8)

11. Distinguish between normal goods and inferior goods.
12. Demand function and supply function are given below :
 $q^D = 200 - P$
 $q^S = 120 + P$
Find equilibrium price and equilibrium output.
13. Distinguish between unplanned accumulation and unplanned decumulation of inventory.
14. If marginal propensity to consume is .8, calculate the value of investment multiplier.
15. Distinguish between balance of payment and balance of trade.

Answer any 4 questions from 16 to 20. Each carries 3 scores. (4 × 3 = 12)

16. Explain central problems faced by economies in relation to allocation of resources.
17. Draw a diagram showing short run profit maximisation of a firm under perfect competition and locate shut down point.
18. Write a short note on the emergence of macro economics.
19. Explain any three functions of central bank.
20. What do you mean by public goods ? Write any two features of public goods.

Answer any 4 questions from 21 to 25. Each carries 4 scores. (4 × 4 = 16)

21. With the help of a diagram, explain the relationship between long run average cost and long run marginal cost curves.
22. Explain features of perfect competitive market.
23. With the help of a diagram, explain price ceiling.
24. Draw circular flow of income and expenditure in a simple economy.
25. Explain any two factors which affect exchange rate under flexible exchange rate system.

Answer any 4 questions from 26 to 30. Each carries 5 scores. (4 × 5 = 20)

26. (a) Define price elasticity of demand. (2)
(b) Suppose, at price ₹ 4, the demand for a good is 25 units. Price of the good increased to 5. As a result, the demand for the good falls to 20 units. Calculate price elasticity. (3)
27. With the help of a diagram, explain short run profit maximising conditions of a firm under perfect competition market.
28. Explain policy tools of Reserve Bank of India to control money supply in India.
29. With the help of a diagram, explain the effect of an autonomous change in aggregate demand on income and output.
30. Explain various components of government budget.

Answer any 2 questions from 31 to 33. Each carries 8 scores.

(2 × 8 = 16)

31. Suppose a consumer wants to consume two goods. The prices of two goods are ₹ 6 and ₹ 8 respectively. Consumer's income is ₹ 72.

- Write equation of budget line.
- Find slope of the budget line
- Draw budget line.
- If income of the consumer increases to ₹ 120, draw new budget line.

32. (a) Complete the following table :

Output	TFC	TVC	TC	AFC	AVC	AC	MC
0	20	-	20				
1	20		30				
2	20		38				
3	20		44				
4	20		49				
5	20		53				
6	20		59				
7	20		67				
8	20		80				
9	20		95				
10	20		115				

(b) Draw AFC, AVC and AC in a single diagram.

33. Explain three methods of measurement of national income.
