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Code No. 1/1/1

Roll No.

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Candidates must write the Code No. on the title page of the answer-book

- Please check that this question paper contains **4** printed pages.
- Code number given on 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.

FIRST TERM EXAMINATION 2017 – 18

SUBJECT CODE : 030

Time allowed: 3 Hours

Maximum Marks: 80

General Instructions:

- (1) All questions are compulsory.
- (2) Marks for each are indicated against each.
- (3) Question nos. **1-4 and 13-16** are very short answer questions carrying **1** mark each.
- (4) Question nos. **5-8 and 17-18** are short answer questions carrying **3** marks each. Answers to them should not normally exceed **60** words each.
- (5) Question nos. **19-21** are also short answer questions carrying **4** marks each. Answers to them should not normally exceed **70** words each.
- (6) Question nos. **9-12 and 22-24** 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 word limits be adhered to as far as possible.

SECTION A

- Q.1. What does a rightward shift of Production Possibility Frontier indicate? 1
- Q.2. When does increase in demand take place? 1
- Q.3. Suppose total revenue is rising at a constant rate as more and more units of a commodity are sold. Marginal revenue would be: 1
- Greater than average revenue.
 - Less than average revenue.
 - Equal to average revenue.
 - Rising.
- Q.4. Give the meaning of market. 1
- Q.5. Explain the central problem of how to produce with the help of examples. 3
- OR
- Explain the central problem of distribution of output.
- Q.6. Price elasticity of demand for good X is (-2) and good Y is (-3) . Which of the two goods is more price elastic and why? 3
- Q.7. 'A monopolist can sell any quantity at a price he likes.' Is this statement true? Give reasons in support of your answer. 3
- Q.8. What happens to the demand for a good when the income of the consumer changes? Explain. 3
- Q.9. Show that demand of a commodity is inversely related to its price. Explain with the help of the utility analysis. 6
- Q.10. Explain the rationale behind the conditions of equilibrium of a producer. 6
- Q.11. Equilibrium price of an essential medicine is too high. Explain what possible steps can be taken to bring down the equilibrium price but only through the market forces. Also explain the series of changes that will occur in the market. 6
- Q.12. Giving reasons state whether the following statements are true or false: 6
- Average product can rise even when Marginal Product is falling.
 - When there are diminishing returns to factor Average Product falls.
 - The difference between Average Total Cost and Average Variable Cost curves is constant.
 - When Marginal Revenue is positive and constant Average Revenue and Total Revenue will both increase at a constant rate.

SECTION B

- Q.13. Give the meaning of gross investment. 1
- Q.14. Who is a normal resident of a country? 1
- Q.15. Define stock. 1

Q.16. Define nominal Gross Domestic Product.

1

Q.17. Government spends on popularizing yoga among masses. Analyse its impact on Gross Domestic Product and welfare.

3

OR

Sale of petrol and diesel cars is rising particularly in big cities. Analyse its impact on Gross Domestic Product and welfare.

Q.18. Giving reasons, state whether the following will be included in the National Income of India or not:

3

1. Expenditure on chalks and dusters by a government school.
2. Expenditure on construction of a new shed on a farm.
3. Expenditure on cars by a car dealer.

Q.19. Explain the meaning of open market operations. How does the central bank use it for controlling credit creation by the commercial banks?

4

Q.20. From the following data, calculate Net Value added at factor cost:

2100

4

S.No.	ITEMS	RS CRORES
1.	Net factor income from abroad NFIA	30
2.	Domestic Sales	3,500
3.	Purchase of intermediate goods from the domestic market	1000
4.	Consumption of fixed capital	500
5.	Exports	400
6.	Indirect taxes	350
7.	Change in stock	50
8.	Imports of raw materials	200
9.	Production for self consumption	500

Q.21. Explain the role of government budget in fighting inflationary and deflationary tendencies.

4

Q.22. From the following data, calculate (a) GDP at FC and (b) Factor Income to Abroad: (4,2)

S.No.	ITEMS	RS CRORES
1.	Gross domestic capital formation	600
2.	Interest	200
3.	GNP at MP	2,800
4.	Rent	300
5.	Compensation of employees	1,600
6.	Profits	400
7.	Dividends	150

GNP_{MP} → GNP_{FC}
NDP_{FC}

NDP_{FC} → GDP_{FC}
GDP_{FC} → GDP_{MP}

8.	Factor income from abroad	50
9.	Change in stock	100
10.	Net indirect taxes	240
11.	Net fixed capital formation	400
12.	Net exports	(-)30

Q.23. How do commercial banks create credit? Explain with the help of an example.

6

Q.24.

1. Explain the basis of the difference between revenue receipts and capital receipts. Use examples.
2. Give the meaning and implications of the Fiscal Deficit.

3

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