

ECONOMICS

(Three hours and a quarter)

(The first 15 minutes of the examination are for reading the paper only. Candidates must NOT start writing during this time).

*Answer Question 1 (compulsory) from part I and SEVEN questions from part II.
The intended marks for questions are given in [].*

PART I

QUESTION 1

[2x15=30Marks]

Answer briefly each of the items (i) to (xv) in this question.

- (i) What do you understand by “Law of Supply”? Illustrate it with a labelled diagram. (2)
- (ii) State **TWO** differences between utility Approach and Indifference curve analysis. (2)
- (iii) Explain **TWO** relationships that Average Revenue shares with Marginal Revenue. (2)
- (iv) Define oligopoly. Explain **ONE** of its characteristics. (2)
- (v) “VMP is equal to MRP under perfect competition”. Is this also true in case of imperfect competition? Why? (2)
- (vi) Distinguish between real flows and money flows. (2)
- (vii) Which of the national income aggregates is technically known as national income? Define it. (2)
- (viii) What is ‘Double Counting’? How can it be avoided? Write **TWO** methods. (2)
- (ix) How is balance of trade different from balance of payments? (2)
- (x) ‘Exploitation’ and ‘Dislodging of domestic industries’ are two disadvantages of international trade. Explain how the trading countries are, sometimes, exploited and their domestic industries dislodged through international trade. (2)

- (xi) Explain **ONE** positive effect and **ONE** negative effect of public Debt.
- (xii) Mention **TWO** reasons for carrying out deficit financing by a nation. (2)
- (xiii) What do you understand by the term 'MODVAT'? Mention **ONE** of its objectives. (2)
- (xiv) Some of the objectives are seen to be similar in both the Seven Five Year Plan and Eight Five Year Plan of our country. Mention **TWO** such objectives. (2)
- (xiv) Write any **TWO** achievements of the First Five Year Plan. (2)

PART II

(Answer any **SEVEN** questions)

QUESTION 2

- a) How can our country trade with other countries using the absolute cost theory? Explain with an example. (5)
- b) With the help of labelled diagrams, explain what would happen to the equilibrium price and quantity if:
 - (a) demand increases in larger proportion than the increase in supply, and
 - (b) demand and supply increase by the same proportion. (5)

QUESTION 3

- a) 'Law of demand may not operate in many cases'. Explain **FIVE** such cases. (5)
- b) Write **FIVE** achievements in the field of manufacture and trade during the Sixth Five Year Plan. (5)

QUESTION 4

- a) Discuss any **FIVE** causes of disequilibrium in the Balance of Payments that are applicable to our economy. (5)
- b) Define and explain the law of Variable Proportions using an appropriate diagram. (5)

QUESTION 5

- a) In what ways, do you think, Indirect taxes are better than the Direct taxes. Explain briefly **FIVE** reasons in support of your answer. (5)
- b) Describe the Marginal Productivity Theory of Distribution using a diagram. (5)

QUESTION 6

- a) From the First Five Year Plan to Fifth Five Year Plan, identify **ONE** most important priority opted by the government from each plan and give reasons for each priority. (5)
- b) With the help of a diagram, explain the short-run equilibrium of a firm under perfect competition earning super-normal profit. (5)

QUESTION 7

- a) 'GNH is a better measure than GDP in promoting the happiness of the people'. Do you agree? Give **FIVE** reasons and explain them. (5)
- b) Explain circular flow of Income and Expenditure in a Three Sector Model using a diagram. (5)

QUESTION 8

- a) What are the differences between international and internal trade? Write **FIVE** differences. (5)
- b) What is a budget? Describe the budgetary policy of our country. (5)

QUESTION 9

- a) 'Deficit Financing is both good and bad for a country like ours'. Discuss **THREE** good and **TWO** bad effects. (5)
- b) What do you understand by the term 'Fiscal Policy'? Explain any **FOUR** methods how fiscal policy can be used to accelerate economic growth in an underdeveloped economy. (5)

QUESTION 10

- a) Explain the income method of estimating national income of an economy. (5)
- b) From the information given below, compare the elasticity of supply from commodity A and commodity B. (5)

Commodity A		Commodity B	
Price(Nu.per unit)	Supply (units)	Price (Nu. Per unit)	Supply (units)
10	100	8	40
12	140	10	80