General Instructions:

(i) All questions in both the sections are compulsory.

(ii) Questions Nos. 1-5 and 17-21 are very short answer questions carrying 1 mark. They are required to be answered in one sentence each.

(iii) Questions Nos. 6-10 and 22-26 are short answer questions carrying 3 marks each. Answers to them should normally not exceed 60 words each.

(iv) Questions Nos. 11-13 and 27-29 are also short answer questions carrying 4 marks each. Answers to them should normally not exceed 70 words each.

(v) Questions Nos. 14-16 and 30-32 are long answer questions carrying 6 marks each. Answers to them should normally not exceed 100 words each.

Section-A

INTRODUCTORY MICRO ECONOMIC THEORY

1. When is Production Possibility Curve a downward sloping straight line? (1)

2. What changes are taking place in Total Revenue such that Marginal Revenue is falling but is Positive? (1)

3. When are consumer preferences monotonic? (1)

4. Assuming that the consumer is rational, indicate using utility approach how many units of a commodity will be consumed by an individual in order to achieve Consumer Equilibrium. (1)

5. What is the nature of profits in a perfectly competitive market form in the long run? (1)

6. Due to increase in fuel costs, price of Air ticket from Delhi to Goa has increased. Explain its impact on demand for train travel with the help of a diagram. (3)

7. Give three points of distinction between decrease in quantity supplied and contraction in quantity supplied. (3)

8. Giving reasons indicate whether the following statements are true or false: (3)
   
   (a) Production of an economy always takes place on the Production Possibility Frontier.

   (b) A Production possibility curve can never shift.
9. (a) Price of good X and good Y are equally priced at Rs 10. His income is Rs 20. What is the equation of his budget line?

(b) What will happen to the budget line when both the prices of good X and Y doubles?

(c) What is the Marginal rate of substitution when consumption changes from bundle A to bundle B?

\[ \begin{array}{c|c|c}
\text{Bundle} & \text{Good X} & \text{Good Y} \\
A & 1 & 15 \\
B & 3 & 11 \\
\end{array} \]

10. Explain with the help of diagram the situation when change in demand, given the supply, does not effect equilibrium price.

OR

At a given price of a commodity there is excess demand. What changes will establish equilibrium price? Explain with the help of a diagram.

11. The price elasticity of demand of good X is half the price elasticity of demand of good Y. A 25% rise in the price of good Y reduces its demand from 400 units to 300 units. Calculate the % rise in demand of good X when its price falls from Rs 10 to Rs 8 per unit.

12. Explain the relationship between Marginal Cost and Average Variable Cost with the help of a diagram.

OR

Depict Total Fixed Cost, Total Variable Cost and Total Cost in a single diagram and establish the relation between them.

13. Explain the conditions of Producer's Equilibrium using Marginal Revenue and Marginal Cost approach for a firm who can sell more output by lowering the price. Use diagram.

14. Explain the likely behaviour of Total Product and Marginal Product when a producer is producing in the short run and his seeks to increase output by using more of Labour units. Use diagram.

15. (a) Giving reason, explain the shape of the demand curve so that total revenue is positively sloping straight line passing through the origin.

(b) Explain the relation between AR and MR for a monopoly firm.

16. (A) What is the price elasticity of demand for the following demand curves?

(a) A rectangular hyperbola demand curve

(b) A demand curve parallel to OY Axis.

(B) Explain any two factors influencing a good's Price elasticity of Demand.
Section-B

INTRODUCTORY MACROECONOMICS

17. State the components of Legal Reserve Ratio. (1)

18. What do you understand by the term Involuntary Unemployment? (1)

19. Marginal Propensity to save is 0.3. Income of an economy increases from Rs 600 cr to Rs 900 Cr. Indicate the additional consumption in the economy. (1)

20. An economy faces Primary Deficit of Rs 4,400. Revenue Expenditure on interest payments is Rs 600 cr. Estimate Fiscal Deficit. (1)

21. Indicate the exchange rate of a $ if 10$ = Rs 500. (1)

22. From the following data estimate Gross National Disposable Income.

(Rs. in Crores)

(i) Current Transfers from rest of the World 4
(ii) Domestic Income 145
(iii) Net factor income from abroad (-) 2
(iv) Subsidies 4
(v) Current Transfers to rest of the world 1
(vi) Indirect tax 19
(vii) Consumption of fixed Capital 17 (3)

23. Explain the ‘store of value’ function of money.

OR

Explain the ‘standard of deferred payments’ function of money. (3)

24. Explain how a budget can help in reducing inequalities of income? (3)

25. Explain the effect of depreciation of Domestic currency on exports of a country? (3)

26. (a) Define Balance Of Payments.

(b) Estimate Balance of Payment on Current Account from the following data:

(Rs. in crores)

(i) Import of goods 800
(ii) Export of goods 550
(iii) Import of services 50
(iv) Export of services 150
(v) Unilateral transfers from rest of the world 100
(vi) Unilateral transfers to rest of the world 80
(vii) Capital receipts 200
(viii) Capital Payment 70

Economics/XII

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[P.T.O.]
27. The saving function is given by \( S = -400 + 0.25Y \). Autonomous investment expenditure is Rs 800 cr. Estimate

(a) Autonomous Consumption

(b) Average propensity to save at income level of Rs. 10,000 Crores.

(c) Value of the multiplier

(d) Equilibrium level of Income

28. What is bank rate policy of Central Bank? How do changes in it control credit creation in the economy?

OR

What is Open market operation policy of Central Bank? How do changes in it control credit creation in the economy?

29. Distinguish between:

(a) Revenue receipts and capital receipts

(b) Direct Tax and Indirect Tax

30. While estimating National income how are the following items treated? Give reasons for your answer.

(a) Interest received on debentures.

(b) Compensation given to rail accident victims by the government.

(c) Consumption of fixed capital

(d) Rent free house given to the employee by his firm.

31. Explain determination of National income using AD-AS approach. Explain the changes that take place when AD is greater than AS. Use diagram.

OR

Explain determination of national income using S-I Approach. Explain the changes that will take place when ex-ante Savings are more than Ex-ante Investment. Use Diagram.

32. From the following data estimate:

(a) Private income

(b) Personal disposable income.
(Rs. in crore.)

(i) Income from property and entrepreneurship accruing to government administrative departments 500
(ii) Savings of non-departmental public enterprises 100
(iii) Profit tax 80
(iv) Income from domestic product accruing to private sector 4500
(v) Current Transfers from Government administrative departments 200
(vi) Net factor income to abroad 50
(vii) Income Tax 150
(viii) Excise duty 220
(ix) Current transfers from rest of the world 80
(ix) Retained earnings of corporate sector 500