ISC Paper 2013

ECONOMICS

Part—I

Question 1.

Answer briefly each of the questions (i) to (xv) : **[15 × 2]**

(i) *What does zero cross elasticity of demand between two goods imply ? Give an example to explain.*

(ii) *Why is the marginal cost curve U shaped ?*

(iii) *Diffrentiate between monopoly and monopsony. Give an example for each.*

(iv) *What is market period ? What is the shape of the supply curve in this period ?*

(v) *Give two assumptions of the law of Variable Proportions.*

(vi) *Explain the meaning of price ceiling with the help of a diagram.*

(vii) *Why is the central bank considered to be the lender of the last resort ?*

(viii) *What is Vote-on-account budget ?*

(ix) *Explain how taxation can be used to reduce inequality of income.*

(x) *What is meant by unlimited legal tender ?*

(xi) *Distinguish between CRR and SLR.*

(xii) *Calculate the value of multiplier if MPC is equal to MPS.*

(xiii) *Define GNP at factor cost. How is it different from national income ?*

(xiv) *Explain with the help of an example, how inflation affects the debtors.***

(xv) *How does an increase in the price of a commodity affect its quantity demanded ? Show it with the help of a diagram.*

Part II

(Answer any **five** *questions.)*

Question 2.

(a) *Explain with the help of a well labelled diagram how a perfectly competitive firm earns normal profit in short run equilibrium.* **[4]**

(b) *Why does the TC curve start from the Y axis and the TVC curve from the Origin ?* **[4]**

(c) *Discuss four features of Oligopoly.* **[6]**

Question 3.

(a) *Complete the following table and draw a supply curve for the firm A :* **[4]**

Price per unit	*Supply by firm A*	*Supply by firm B*	*Market Supply*
2	5	5	?
3	?	10	17
4	9	?	24
5	11	20	?

(b) *Explain what happens when the market price is less than the equilibrium price.* **[4]**

(c) *Explain the four determinants of supply of a commodity.* **[6]**

Question 4.

(a) *Explain the nature of the AR and MR curve under perfect and imperfect competition.* **[4]**

(b) *Explain any one internal and any one external economy of scale.* **[4]**

(c) *How does a producer attain equilibrium under perfect competition through the MR and MC approach ?* **[6]**

Question 5.

(a) *Explain how the income effect and the substitution effect are the reasons for the downward slope of the demand curve.* **[4]**

(b) *Price elasticity of demand for a product is unity. A household buys 50 units of this product when its price is ₹ 10 per unit. If its price rises to ₹ 12 per unit, how much quantity of the product will be bought by the household ?* **[4]**

(c) *A marginal utility schedule of a person is given below. Discuss the law underlying the given schedule :* **[6]**

Pen (units)	1	2	3	4	5
MU (units)	25	20	15	10	5

Question 6.

(a) *Calculate MPC, MPS and APC from the following data :* **[4]**

Income (Y)	*Consumption*
100	95
110	104

(b) *Discuss the fiscal measures used to solve the situation of deficient demand.* **[4]**

(c) *Explain how the equilibrium level of income can be determined by aggregate demand and aggregate supply.* **[6]**

Question 7.

(a) *Explain the following functions of money :*

(i) *Medium of exchange.*

(ii) *Store of value.* **[4]**

(b) *Explain how bank rate and open market operations can be used by the central bank of control credit.* **[4]**

(c) *How do commercial banks create credit ? Explain with the help of an example.* **[6]**

Question 8.

(a) *Explain any two objectives of the fiscal policy in a developing economy.* **[4]**

(b) *What is primary deficit and fiscal deficit in a government budget ? What is the implication of the primary deficit on the economy ?* **[4]**

(c) *Explain cost-push inflation with the help of a diagram.*** **[6]**

Question 9.

(a) *Classify the following as final or intermediate goods. Give reasons for your answer.*** **[4]**

(i) *A car purchased by a company for business purposes.*

(ii) *Pen or paper purchased by a consumer.*

(b) *Discuss two reasons why the per capita real income is considered to be a better index of economic welfare than gross domestic product.* **[4]**

(c) *Calculate national income and GDP_{mp} by the income method using the following information :* **[6]**

	Items	*₹ in crores*
(i)	*Private final consumption expenditure*	*1,300*
(ii)	*Net factor income earned from abroad*	*50*

(iii)	*Mixed income of self employed*	*500*
(iv)	*Subsidies*	*100*
(v)	*Indirect tax*	*200*
(vi)	*Consumption of fixed capital*	*1,000*
(vii)	*Operating surplus*	*5,000*
(viii)	*Compensation of employees*	*1,500*