

Series REC

Code No. **RSPL/1**

Roll No.

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Candidates must write the Code on the title page of the answer-book.

- Please check that this question paper contains 7 printed pages.
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- Please check that this question paper contains **30** questions.
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- 15 minutes time has been allotted to read this question paper.

ECONOMICS

Time Allowed : 3 hours

Maximum Marks : 100

General Instructions :

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- Question No. 6-8 and 21-23 are short answer questions carrying 3 marks each. Answers to them should not normally exceed **60** words each.*
- Question No. 9-11 and 24-26 are also short answer questions carrying 4 marks each. Answers to them should not normally exceed **70** words each.*
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SECTION – A

1. Marginal Cost of a good includes: (Choose the correct alternative) **1**
 - (a) Only variable cost
 - (b) Both variable and fixed cost
 - (c) Only fixed cost
 - (d) None of these

2. What are gross profits? **1**

3. As the flatness of the demand curve increases, the elasticity of demand becomes: (Choose the correct alternative) **1**
 - (a) Lower
 - (b) Higher
 - (c) Equal to infinity
 - (d) Equal to zero

4. Which concept of revenue is also called price? **1**

5. If $\frac{MU_x}{P_x} > \frac{MU_y}{P_y}$, then to reach the equilibrium, a consumer should: **1**

(Choose the correct alternative)

 - (a) Buy both the commodities in equal quantity
 - (b) Buy more of good X and less of good Y
 - (c) Buy more of good Y and less of good X
 - (d) None of these

6. Ministry of Skill Development and Entrepreneurship has started a scheme called *Pradhanmantri Kaushal Vikas Yojana* to enable a large number of Indian youth to take up industry-relevant skill training. Explain its impact on the Indian economy with the help of PPC. Use diagram. **3**

7. When the market price of a good is ₹ 100 and firm's revenue is ₹ 500, calculate price elasticity of supply of the firm if its revenue increases by ₹ 250 due to 50 per cent increase in its price. **3**

OR

Giving reasons, state whether the following statements are true or false:

- (a) The supply curve of a good shifts to the right when its own price rises.
- (b) At some level of output, average cost curve and average variable cost curve intersect.
8. Explain the problem of how to produce with the help of an example. **3**
9. Giving reasons, state whether the following statements are true or false: **4**
- (a) Budget line is a straight line curve.
- (b) Combinations lying on higher indifference curves are superior combinations.

OR

Units	TU _x
0	0
1	50
2	90
3	110
4	120
5	120
6	100

Calculate the number of units that the consumer in question will buy if marginal utility of a rupee is 10 utils and price of the commodity is ₹ 2.

10. Suppose the government increases the electricity tariff for the commercial use. Will it affect fixed cost or variable cost of the industry? Explain with a reason. 4
11. Calculate price elasticity of demand of a medicine, if 20% rise in its price results in 20% rise in the total expenditure on that medicine. 4
12. Explain the implications of the following features: 6
- (a) Single seller in monopoly.
- (b) Product differentiation in monopolistic competition.

OR

Explain the difference between perfect competition and oligopoly.

13. The market for sugar is in equilibrium. The price of sugarcane rises. Explain its effects on equilibrium price, quantity demanded and supply of sugar with the help of a diagram and a schedule. 6
14. Rahul chooses a combination of two goods with Marginal Rate of Substitution equal to 4. Is he in equilibrium if prices of the two goods are ₹ 4 and ₹ 2 respectively? Give reasons. Explain what will he do in this situation if he is a rational consumer? 6
15. If $P < MC$ for a profit maximising firm under perfect competition, what will the firm do in such a situation? 6

SECTION - B

16. What is primary deficit? 1
17. Which of the following is not an instrument of monetary policy? 1
- (Choose the correct alternative)
- (a) Open market operations
- (b) Selective credit control
- (c) Bank rate
- (d) Government spending

18. Operating surplus refers to: (Choose the correct alternative) **1**
- (a) Income from property and entrepreneurship
 - (b) Income from entrepreneurship
 - (c) Income from property
 - (d) None of these
19. Give any one point of distinction between Central Bank and commercial bank. **1**
20. Construction of a government school building is a: (Choose the correct alternative) **1**
- (a) Capital receipt
 - (b) Capital expenditure
 - (c) Revenue expenditure
 - (d) Revenue receipt
21. Where are the loans taken by the government of India from foreign governments recorded in the Balance of Payments Account. Give reason for your answer. **3**

OR

In which account and on which side will the following items be recorded in BOP? Give reason.

- (a) Purchase of shares of Infosys by a Korean resident
 - (b) Gifts received from a relative residing in America
 - (c) Banking services to NRI
22. $S = -1,000 + 0.4 Y$ is the saving function in an economy. Calculate increase in income, if investment expenditure increases by ₹ 7,000 crores. **3**

23. What is break-even point? Show with the help of a diagram. **3**

24. Calculate Net Value Added at market price. **4**

(₹ in crores)

(a) Purchase of machinery 50

(b) Intermediate consumption 1,000

(c) Consumption of fixed capital 50

(d) Net indirect taxes 150

(e) Domestic sales 2,000

(f) Exports 200

(g) Change in stock 50

(h) Import of raw materials 350

25. Why does demand for foreign exchange arise for speculative activities? **4**

26. Explain how externalities make GDP an insufficient measure of welfare of the people of the country. Use examples. **4**

OR

Net exports and Net factor income from abroad are the two names of the same concept. Comment.

27. Explain the need for 'Reallocation of resources' by the government. Explain any two budgetary measures by which it can be done. **6**

28. Explain how the RBI can regulate demand in the economy by changing the legal reserve requirements. **6**

29. Do you agree 'Money overcomes the drawbacks of Barter system of exchange'? Explain the statement using any four functions of money. **6**

30. Explain giving reasons how the following items are treated while calculating Domestic Income of India: **6**

- (a) Earnings of American Express Banks' branch located in Chennai
- (b) Festival gift given by an employer to an employee
- (c) Addition to stocks lying with a producer during a year
- (d) Salary earned by the resident of France working in Indian embassy in France

OR

Calculate Gross National Product at factor cost by income method and expenditure method.

Items	(₹ in crores)
(i) Undistributed profits	90
(ii) Rent and royalty	300
(iii) Interest	500
(iv) Profit	200
(v) Net factor income to abroad	(-)50
(vi) Household final consumption expenditure	800
(vii) Consumption of fixed capital	10
(viii) Net indirect taxes	50
(ix) Gross domestic capital formation	300
(x) Compensation of employees	1,200
(xi) Private non-profit institutions serving household final consumption expenditure	300
(xii) Net exports	100
(xiii) Government final consumption expenditure	1,000
(xiv) Mixed income of self-employed	240

Series REC

Code No. **RSPL/2**

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SECTION – A

1. Total Cost increases at an increasing rate when MC is: (Choose the correct alternative) 1
 - (a) Positive and Constant
 - (b) Positive and Decreasing
 - (c) Positive and Increasing
 - (d) Negative

2. Law of demand fails when: (Choose the correct alternative) 1
 - (a) Substitution effect is negative
 - (b) Negative income effect is more than the substitution effect
 - (c) Income effect is negative
 - (d) Substitution effect is positive

3. What is the relationship between AR and MR under imperfect competition? 1

4. When price ratio of two goods is constant, budget line shifts due to change in: (Choose the correct alternative) 1
 - (a) Demand
 - (b) Satisfaction
 - (c) Income
 - (d) Preferences

5. What is meant by change in quantity supplied? 1

6. Explain any one measure that the government of India can undertake to reduce the gap between the potential level of output and the actual level of output in the Indian economy. 3

7. At the point of intersection of two supply curves, flatter curve shows higher elasticity of supply. Do you agree? Explain with the help of a diagram. 3

OR

The price elasticity of supply of good B is $\frac{3}{4}$ th of the price elasticity of supply of good A. The quantity supplied of good A rises from 100 units to 118 units, when its price rises by 15%. Calculate percentage fall in price of good B, when its supply falls by 9%.

8. Give three points of distinction between microeconomics and macroeconomics. 3
9. When price of domestic fuel is reduced by way of subsidy by the government, the consumer increases its consumption. Explain with the help of utility analysis. 4
10. Complete the following table: 4

Output	ATC	AVC	MC	AFC
1	60	10	10	50
2	—	9	—	25
3	—	—	6	—
4	17.5	—	—	—

11. The equation of the demand curve is given by $D(p) = 25 - 2p$. Calculate price elasticity of demand at price ₹ 5. 4

OR

In India, despite the rise in price of cigarettes due to the rise in taxes imposed by the government, the fall in the demand of cigarettes is not significant. Explain using the concept of elasticity of demand.

12. Distinguish between: 6

(a) Perfect and Imperfect Oligopoly

(b) Collusive and Non-collusive Oligopoly

13. Suppose there is favourable change in taste and preferences for jeans. 6

At the same time, there is decrease in the price of cotton used for manufacturing jeans. How will it affect the equilibrium price and quantity of jeans? Show diagrammatically.

14. Explain any three properties of Indifference curve. 6

OR

Explain the relationship between TU and MU with the help of a diagram and a schedule.

15. Determine producer's equilibrium using MR and MC approach. Give 6
reasons for your answer. Also, calculate profit at each level of output.

Output	Price	Total Cost
1	20	17
2	18	25
3	16	31
4	14	39
5	12	49
6	10	61

SECTION – B

- 16.** What is the money issued by the order of the government called? (Choose the correct alternative) **1**
- (a) Fiduciary
 - (b) Credit
 - (c) Fiat
 - (d) Full bodied
- 17.** The basis of distinction between the concepts of market price and factor cost is: (Choose the correct alternative) **1**
- (a) Net direct taxes
 - (b) Direct taxes
 - (c) Net indirect taxes
 - (d) Indirect taxes
- 18.** Which one of the following is a direct tax? (Choose the correct alternative) **1**
- (a) Excise duty
 - (b) Profit tax
 - (c) Entertainment tax
 - (d) Import duty
- 19.** What will be the borrowings of the government, if interest payments which is 20% of the primary deficit, is ₹ 20 crores. **1**
- 20.** What is reverse repo rate? **1**
- 21.** Distinguish between Average Propensity to Consume and Average Propensity to Save. **3**

- 22.** Explain the effect of fall in oil prices on the current account deficit of India. **3**

OR

Explain the effect of depreciation of Indian rupee on India's current account deficit.

- 23.** Calculate change in investment and change in savings, if two third of the additional income is always spent and present income is 75% more than the initial income of ₹ 40 crores. **3**
- 24.** Calculate Private Income from the given information. **4**

(₹ in crores)

- | | |
|--|--------|
| (a) Savings of non-departmental enterprises | 30 |
| (b) Savings of private corporate sector | 25 |
| (c) Miscellaneous receipts of the government | 5 |
| (d) Personal disposable income | 65 |
| (e) Business tax | 10 |
| (f) Direct personal taxes | 15 |
| (g) Net current transfers from rest of the world | (-) 30 |
| (h) Current transfers from government | 10 |
- 25.** If domestic interest rate is increased, there will be an appreciation of domestic currency in terms of foreign currency. Comment. **4**
- 26.** Does higher level of real GDP always implies higher availability of goods per person in the domestic economy? Explain with reason. **4**

OR

Will the following items be treated in the estimation of national income?
State giving reasons.

- (a) Interest paid by households to bank
 - (b) Interest paid by banks to households
 - (c) Interest on national debt
 - (d) Interest paid by firms to banks
- 27.** Define fiscal deficit. Explain the implications of fiscal deficit in the government budget. **6**
- 28.** Do you agree that increase in investment in the economy causes increase in its income? Explain with the help of a numerical example. **6**
- 29.** Distinguish between Central Bank and Commercial Bank. **6**

OR

Explain the process of money creation by commercial banks with the help of a numerical example.

- 30.** Calculate (a) Domestic income (b) Net Current transfers to rest of the world from the given information. **3, 3**

	(₹ in crores)
(i) Compensation to employees	35
(ii) Consumption of fixed capital	20
(iii) Net imports	40
(iv) Compensation to employees paid by the government	300

(v) Change in stock	(-)50
(vi) Net Domestic fixed capital formation	400
(vii) Direct purchases made abroad by the government	100
(viii) Gross national disposable income	2,000
(ix) Intermediate consumption of the government	200
(x) Private final consumption expenditure	1,200
(xi) Factor income from abroad	20
(xii) Value of sale of goods and services by the government	50
(xiii) Subsidies	90
(xiv) Factor income to abroad	30
(xv) Mixed income of self-employed	240

Series REC

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SECTION – A

1. What happens to AR when MR is negative? 1
2. What is marginal cost of producing 7 units of output if the average cost which is minimum at 7 units is ₹ 12? (Choose the correct alternative) 1
(a) ₹ 60 (b) ₹ 10 (c) ₹ 84 (d) ₹ 12
3. In case of Giffen goods, the slope of demand curve is: (Choose the correct alternative) 1
(a) Positive (b) Parallel to X-axis
(c) Negative (d) Parallel to Y-axis
4. What does the area under MC curve, corresponding to any level of output measure? 1
5. The point of satiety occurs at the level of consumption where: (Choose the correct alternative) 1
(a) TU is maximum (b) MU is zero
(c) Both (a) and (b) (d) None of these
6. Explain how the issues of growth and equity conflict while dealing with the problem of how to produce? 3
7. Explain any three factors which affect price elasticity of supply. 3

OR

How is movement along the supply curve different from shift in the supply curve?

8. There is still a problem of seasonal unemployment in the rural India. How would it affect the PPC of the Indian economy? Suggest any one measure to deal with the problem. 3

9. Explain the assumptions of Law of Diminishing Marginal Utility. 4

OR

What combination of the two goods X and Y, a consumer will consume to get maximum satisfaction if price of good X is ₹ 5 and price of good Y is ₹ 2 and income of the consumer is ₹ 30.

Units of a commodity	MU _x	MU _y
0	–	–
1	50	18
2	40	14
3	30	12
4	20	10
5	10	8

10. ‘Continuous fall in AFC with the rise in the level of output does not necessarily imply rise in profits of the firm’. Do you agree? Explain. 4
11. Is it true to say that as price of a commodity rises, the total expenditure of the consumer on that commodity also rises? Elaborate. Use numerical example. 4
12. What is monopoly? Explain any three causes of monopoly. How is elasticity of demand relevant to a monopolist? 6
13. Explain the impact of following on equilibrium price and quantity. Use diagrams. 6
- (a) The ban on smoking in public places on equilibrium price and quantity of cigarettes.
- (b) New discoveries of oil which reduce the price of petrol and diesel on the equilibrium price and quantity of new cars.
- (c) Use of more environment friendly technology, the cost of which is higher, to produce a drug on the equilibrium price and quantity of the drug.

14. Explain the Law of Demand with the help of single commodity equilibrium condition $MU = Price$. Use a schedule. **6**

15. Complete the following table and identify three stages of Law of Variable Proportion. Explain the reasons for their occurrence. **6**

Units of labour	0	1	2	3	4	5	6	7
TP	0	10	25	45	60	70	70	60
MP	–	–	–	–	–	–	–	–

OR

What is diminishing returns to a factor? Can diminishing returns be reversed through mechanization in agriculture? Explain. What impact will it have on the employment of labour?

SECTION - B

16. What are the sources of money supply in India? (Choose the correct alternative) **1**

- (a) RBI (b) Commercial banks
(c) Indian Government (d) All of these

17. What does fiscal deficit indicate? **1**

18. Which of the following is not a flow variable? (Choose the correct alternative) **1**

- (a) Leakage of water from overhead tank
(b) Capital formation
(c) Supply of money in a country
(d) Interest on capital

19. Salaries of the government employees are: (Choose the correct alternative) 1
- (a) Capital receipt (b) Revenue expenditure
(c) Capital expenditure (d) Revenue receipt

20. What are the initial deposits if the total deposit created is ₹ 8,900 crores and LRR is 15%? 1

21. Calculate balance of trade, balance of invisibles and current account balance: 3

	(₹ in crores)
(a) Import of goods	350
(b) Export of goods	100
(c) Export of services	190
(d) Import of services	200
(e) Unrequited receipts	50
(f) Unrequited payments	80
(g) Capital receipts	400
(h) Capital payments	110

22. How can 'Jan Dhan Yojana' which aims at every household in the country to have at least one bank account affect our national income? 3

OR

'From midnight 8th November 2016, ₹ 500 and ₹ 1,000 currency notes are no longer legal tender.' What impact will it have on the problem of inflation prevailing in the country?

23. Calculate Marginal Propensity to Consume and Marginal Propensity to Save if increase in investment by ₹ 3,000 crores increases, national income by ₹ 3,000 crores. 3

24. Calculate Closing Stock: **4**

(₹ in crores)

(a) Opening stock	35
(b) Import of raw material	20
(c) Sales	100
(d) Exports	150
(e) Consumption of fixed capital	5
(f) Expenditure on power	25
(g) Subsidy	7
(h) Net value added at market price	200

25. Do you think that rise in foreign exchange rate will necessarily increase export earnings of the countries substantially? **4**

26. If real GDP is ₹ 80 and GDP deflator is ₹ 230, calculate nominal GDP. Out of nominal GDP and real GDP, which is better index of growth of a country? Give reason for your answer. **4**

OR

Giving reasons classify the following into factor payment and transfer payment:

- (a) Gratuity given by the employer to an employee
- (b) Old age pension given by government
- (c) Family pension paid by the Indian government to the families of the soldiers who sacrificed their lives for the country
- (d) Commission earned by the agent on the sale and purchase of second hand goods

27. Calculate Revenue Deficit, Fiscal Deficit and Primary Deficit: **6**

(₹ in crores)

(a) Revenue receipts	180
(b) Disinvestment proceeds	40
(c) Recovery of loans and advances	100
(d) Revenue expenditure	240
(e) Capital expenditure	300
(f) Interest payments	40
(g) Capital receipts excluding borrowings	140

28. What is the relationship between: **6**

- (a) Average Propensity to Consume and Average Propensity to Save
- (b) Marginal Propensity to Consume and Investment Multiplier
- (c) Marginal Propensity to Consume and Marginal Propensity to Save

OR

Explain the problem of Excess Demand with the help of a diagram. Explain its effect on output and general price level of the economy. What role does open market operations play in controlling the situation of Excess Demand?

29. Explain the following functions of Central Bank: **6**

- (a) Bank of issue
- (b) Lender of last resort

30. Calculate from the given information:

2, 2, 2

- (a) GDP_{MP} using Income Method
- (b) NDP_{MP} using Expenditure Method
- (c) Factor income from abroad

	(₹ in crores)
(i) Profits	400
(ii) Wages and salaries	500
(iii) Royalty	100
(iv) Private final consumption expenditure	1200
(v) Exports	40
(vi) Compensation of employees	1500
(vii) Government final consumption expenditure	1060
(viii) GNP_{FC}	3500
(ix) Net current transfers to rest of the world	(-)90
(x) Rent	300
(xi) Interest	400
(xii) Factor income to abroad	120
(xiii) Net indirect taxes	250
(xiv) Net domestic capital formation	650
(xv) Gross fixed capital formation	700
(xvi) Decrease in stock	(-)50