ಜಿಲ್ಲಾಡಳಿತ
ಮತ್ತು
ಪದವಿಪೂರ್ವ ಶಿಕ್ಷಣ ಇಲಾಖೆ
ಚಿಕ್ಕಬಳ್ಳಾಪುರ ಜಿಲ್ಲೆ

ಸುಲಲಿತ

ದ್ವಿತೀಯ ಪಿಯುಸಿ ವಾರ್ಷಿಕ ಪರೀಕ್ಷೆಗೆ
ಸರಳ ಅಭ್ಯಾಸ ಕೈಪಿಡಿ

ECONOMICS

ಸಹಕಾರ:

ಚಿಕ್ಕಬಳ್ಳಾಪುರ ಜಿಲ್ಲಾ ಪದವಿಪೂರ್ವ ಕಾಲೇಜು
ಪ್ರಾಂಶುಪಾಲರ ಮತ್ತು ಉಪನ್ಯಾಸಕರ ಸಂಘ.

PART -A
MICRO   ECONOMICS
CHAPTER -1
INTRODUCTION

I   Choose the correct answer. Each question carries one mark.

1)   The scarce resources of an economy have

       a]Competing usages   b] Single usages

       c] Unlimited usages   d] None of the above

Ans   a]Competing usages

2)   Which of the follwing is an example of micro economic study?

       a] National Income   b] Consumer Behaviour

       c] Unemployment   d] Foreign trade

Ans   b] Consumer Behaviour

3)   Which of the following is a Macro economic variable?

       a] Individual demand   b] Aggregate demand

       c] Firms output   d] Price of a good

Ans   b] Aggregate demand

4)   Central problems of an economy includes....

       a] What to produce   b] How to produce

       c] For whom to produce   d] All of the above

Ans   d] All of the above

5)   Traditionally, the subject matter of economics has been studied under the
       following broad branches.

       a] Micro and Macro Economics   b]Positive and Normative

       c] Deductive and Inductive   d] None of the above

Ans   a] Micro and Macro Economics

II   Fill in the blanks. (each questions carries one marks)

1)   Scarcity of resources gives raise to _____

Ans   Problems of choice

2)   In a centrally economy all important decisions are made by _____

Ans   Government

3)   In reality all economics are_____

Ans   Mixed Economies

III   Match the following (each question carries 1 mark)

       1) Market economy   a] Government

       2) Service of a Teacher   b] Private

       3) Centrally Planned economy   c] Skill

       4) Positive economics   d] Evaluate the mechanism

       5) Normative Economics   e] Functioning of Mechanism

Ans   1-b, 2-c, 3-a, 4-e, 5-d

IV   Answer the following questions in a sentence or a word
(each question carries one mark)

1)   Why does the problem of choice arises?

Ans   An economic problem arises because of limited resources and unlimited wants
and alternative uses of resources. To allocate limited resources to satisfy unlimited
wants the problem of choice

2)   What is Market Economy?

Ans   A market economy also known as capitalistic economy is that economy in which
the economic decisions are undertaken on the basis of market mechanism by the
private entrepreneurs. It functions on demand and supply conditions.
Example USA.

3)   What do you mean by centrally planned economy?

Ans   A planned economy also called as socialistic economy is that economy where the
economic activities are controlled by the central governments. Here the
Government takes decisions about the allocation of resources in accordance with
objectives to attain economic and social welfare. Example , Vietnam, Russia ,
China , North Korea etc.

4)   Give the meaning of Micro Economics .

Ans   Micro economics is the study of the economic actions of individuals and small
groups of individuals.

5)   What do you mean by positive economics ?

Ans   The positive economics is the study of ' what was' and 'what is ' under the given
set of circumstances. It deals with the scientific explanation of the working of the
economy.

6)   What is Normative Economics ?

Ans   The Normative economics studies ' what ought to be ' . It explains about ' what
should be and should not be done '.

V   Answer the following in four sentences .(Each question carries 2 marks)

1)   Mention the central problems of an economy.

Ans   The central problems of an economy are as follows
a] What goods are to be produced and in what quantities?
b] How the goods are to be produce?
c]For whom the goods are to be produced?

2)   Distinguish between Micro and Macro Economics .

Ans   The micro and macro economics are distinguished on the following grounds.
Scope- Micro economics study in individual units so its scope is narrow.
Macro Economics study in aggregates , so its scope is wider.
Method of study- The Micro Economics follows slicing method as it studies
individual unit. The macro economics follows lumping method as it studies in
aggregates.

3)   Distinguish between Positive and Normative economics .

Ans   **Positve Economics**   **Normative Economics**

‣The Positve economics is the   ‣The Normative economics studies ' what
study of ' what was' and ' what is '   ought to be '
under the given set of circumstances

‣It deals with the scientific explanation ‣It explains about ' what should be and
of the working of the economy.   should not be done '
Here we study how the different
mechanism function.

****

PART -A
MICRO   ECONOMICS
CHAPTER -1
THEORY OF CONSUMER BEHAVIOUR

I   Choose the correct answer. Each question carries one mark.

1)   The equation of budget line is

a] $P_X+P_1X_1=M$ b] $M=P_0X_0 + P_X$

c] $P_1X_1+ P_2X_2=M$ d] $Y= Mx+C$

Ans   c] $P_1X_1+ P_2X_2=M$

2)   The demand for these goods increases as income increases.

a] Inferior goods   b] Gliffen goods   c] Normal goods   d] None of the above

Ans   c] Normal goods

3)   A Vertical demand curve is

a] Perfectly elastic   b] Unitary elastic   c] Perfectly inelastic   d] None of the above

Ans c] Perfectly inelastic

II   Fill in the blanks (Each question carries one mark.)

1)   Wants satisfying capacity of commodity is **utility.**

2)   Two indifference curves never **intersect** each other.

3)   As income increases , the demand curve for normal goods shifts towards
      rightword.

4)   The demand for a good moves in the **opposite** direction of its price .

III   Match the following (each question carries one mark)

1) Demand Curve   Down wordslopping

2) Linear DEmand curve   d(P)= a-bp

3) Unitary elasticity curve |ed| =1

4) Complementary goods   Pen and ink

5) Indifference map   A family of Indifference

IV   Answer the following questions in a sentence or a word
(each question carries one mark)

1)   What is a budget line ?

Ans   The line consists of all bundles of goods which cost exactly equal to the money income of consumer is called budget line .

2)   What do you mean Cardinal utility analysis?

Ans   When the utility is measuredin numbers like, 1, 2, 3, 4.... it is called Cardinal utility analysis.

3)   Give the meaning of Marginal Utility.

Ans   It is the additional utility derived by the consumer by consuming additional unit of a commodity . Formula is $MU = TU_n - TU_{n-1}$

4)   What is Utility?

Ans   Utility refers to the want satisfying power of a commodity or a service.

5)   Expand MRS.

Ans   Marginal Rate of Substitution .

6)   What do you mean by indifference curve?

Ans   Indifference curve shows the different combinations of two products in which the consumer gets equal satisfaction.

6)   What is Demand?

Ans   The Concept 'demand' refers to the quantity of a good or service that a consumer is willing and able to purchase at various prices, during a period of time .

V   Answer the following in four sentences .(Each question carries 2 marks)

1)   What is MRS?

Ans   MRS is the rate at which the consumer will substitute one product for another, so that his total utility remains constant.

2)   What are the differences between budget line and budgetset?

Ans

Budget Line	Budget Set
1)The locus of different combination of the two goods which the consumer consumes and whose price exactly equals his income	1)It is a collection of all bundles available to a consumer at the existing price at his given level of income
2) It is alos known as Price line	2) It is also known as Opportunity set

3)   What do you mean by inferior goods? Give example .

Ans   The inferior goods are those goods for which the demand increases with the fall in income of consumer and vice-versa . eg- low quantity goods .
Here income and demand for these goods move in opposite direction.

4)   What is monotonic preference ?

Ans   If a consumer prefers higher indifference curve which gives more level of satisfaction then the lower indifference curve , it is called monotonic preference.

5) State the law of Demand.

Ans Law of demand states that "Other thing being equal, when price of the commodity increases , demand for it falls and when price of the commodity decreases , demand for its rises".

There is a negative relation between demand for a commodity and its price .

6) Mention two different approaches which explain consumer behaviour.

Ans a] Cardinal utility analysis   b] Ordinal utility analysis

7) What do you mean price elasicity of demand?

Ans Price elasticity of demand is a measure of the responsiveness of the demand for a good to changes in its price .

Formula - Price elasticity of demand= $\dfrac{\text{Percentage change in demand}}{\text{Percentage change in price}}$

i.e $\text{Ped} = \dfrac{p}{q} \times \dfrac{\Delta q}{\Delta p}$

**VI   Answer the following questions in about 12 sentences each
(each question carries 4 marks)**

1) Write the differences between total utility and marginal utility.

Ans

| Total Utility	Marginal Utility
1)It is the aggregate utility derived by the consumer by consuming all the units	1)It is the additional utiltity derived by the consumer by consuming additional unit
2) It refresents utility of all the units consumed	2) It represents the utility of a single unit
3) It may be symbolically written as $TU_n = U_1 + U_2 + U_3 + U_4 \ldots U_n$	3) It may be written as $MU_n = TU_n - TU_{n-1}$
4)It increases in beginning and finally decreases.	4) From the beginning it decreases.
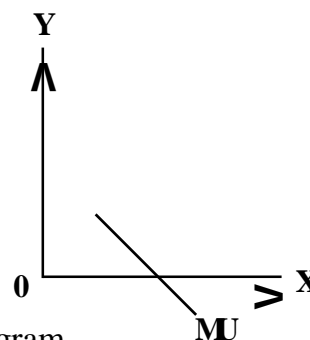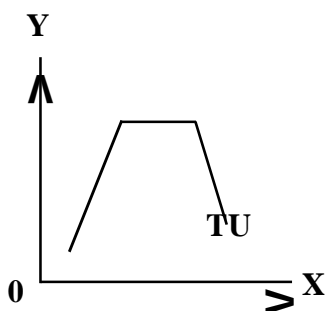
2) Briefly explain the budget set with the help of a diagram .

Ans The budget set is the collection of products that the consumer can buy with his income at the prevailing market prices. It includes all the bundles (all possible combination of two goods) which the consumer can purchase with his given level of income .

Let us assume 'M' as income of a consumer and let P_1 and P_2 be the prices of banana and mango and X_1 and X_2 be their quantity purchased. Then consumes budget can be written as $P_1X_1 + P_2X_2 \leq M$.

- 5 -

It means a consumer can purchase combinations of two goods equal to his income and less than income only.

Consider for example - A consumer's income is Rs 20 and he will purchase two goods X and Y. and Rs 5 will be the price per unit of each goods .

Then with his income Rs 20 the budget set includes combinations like (0,0) (0,1) (0,2) (0,3) (0,4) (1,0) , (1,1), (1,2) , (1, 3) (2,0) (2,1) (2,2) (3,0) (3,1) and (4,0)

Out of thses combinations →(0,4) (1,3) (2,2) (3,1) & (4,0) are combinations equal to consumer's income .

and remaining combinations are combinations said above→ are combinations less than consumers income .

As shown in the diagram
Budget set includes all
combinations which are present
on budget line and below budget line.
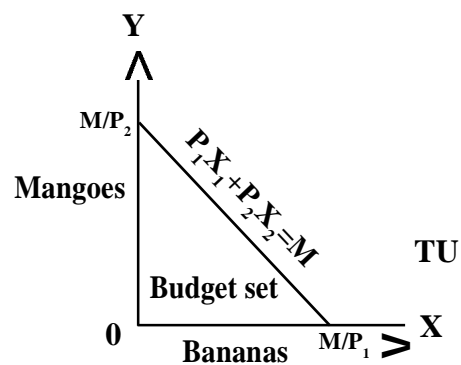
3) Explain the indifference map with the diagram .

Ans A family of indifference curves is called as indifference map. It refers to a set of indifference curves for two commodities showing different levels of satisfaction .

The higher indifference curves shows higher level of satisfaction and lower indifference curve represent lower satisfaction. A rational consumer always chooses more of that product that offers him a higher level of satisfaction , which is represented in higher indifference curve . It is also called " Monotonic Preferences ."

The consumer's preferences over all the bundles can be represented by a family of indifference curves as shown in the following diagram

In the given diagram we see the group of
these indifference curves showing different
levels of satisfaction to the consumer.
The arrows indicates that bundles on
higher indifference curves are preferred
by the consumer to the bundles on l
ower indifference curves.
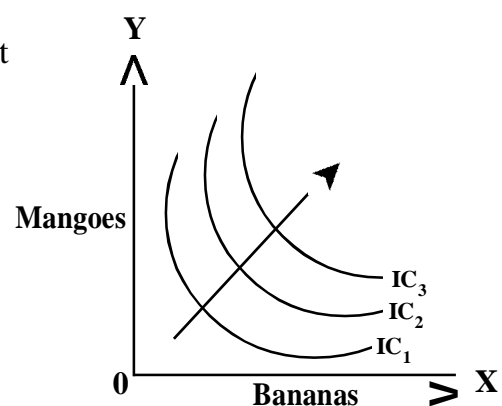
4)   Write the differences between Substitutes goods and Complementary goods.

Substitute good	Complementary goods
1)These are alternative goods available to satisfy our wants	1) These are the goods which are consumed together.
2) If the price of a products increases demand for its substitutes also increases.	2) If the price of the products increases the demand for its complementary goods decreases.
3)Example for substitutes goods are Tea, and coffee, Diesel and Petrol, electricity and solar etc.	3)Examples for complementary goods are Tea and sugar , shoe and socks Pen and ink etc.
4)Here the demand curves shifts to the right in case of prive rise	4) Here the demand curves shifts to left in case of price rise.
5) Price and demand moves in same direction.	5) Price and demand moves in opposite direction .

5)   Explain the differences between Normal and Inferior goods with examples.

Normal Goods	Inferior Goods
1) These are the goods for which the demand increases with the income of consumer.	1) These are the goods for which the demand decreases with the increase in the income of consumer.
2) Example for noarmal goods are food, Electronic goods cloths, luxury goods etc.	2) Example for Inferior goods are low quality goods like unbranded products.
3) There is positive relationship between income and demand.	3) There is inverse relationship between income and demand.
4) Here the demand curve shifts towards right when the income of consumer increases.	4) Here the demand curves shifts towards left when the income of consumer increases.

VII   Answer the following questions in about 20 sentences each.
(Each question carries six marks)

1)   Explain law of diminishing marginal utility with the help of a table and diangram .

Ans   Law of Diminishing Marginal Utility is one among important laws which studies
        consumers behaviour. This law was first given by a German economist H.H.
        Gossen.

        There fore, it is called Gossen's First Law. But later on this law was popularised by
        Dr. Alfred Marshel.

        Definition :- " The utility got from the consumption of additional units of a
        commodity goes on decreasing when the consumption of other commodities are
        constant."

This law can be explained with the help of a table as below.

Units of Organges consumed	Total Utility TU(units)	Marginal Utility MU (units)
1	12	12
2	18	6
3	22	4
4	24	2
5	24	0
6	22	2

As shown in the table above , if a consumer consumes oranges continuously one after another, he gets lesser and lesser marginal utility.

As shown in the table consumer receives 12 units of marginal utility from the consumption of first of orange. At this level Total utility is also 12 units. Since his inetnsity of consumption decreases after the consimption of first unit of oranges, he gets 6, 4, 2, units of MU with the consumption of second , third , fourth unit of orange.

If he continues to consume oranges after this, his marginal utility becomes first zero and then it becomes negative .

Here when MU is zero TU will be maximum and when MU moves beyond X arises TU will start decreasing.

We can explain these law with the following diagram.

In the given diagram TU and MU are Total Utility and Marginal Utility curves. As shown in the diagram, TU from the starting increases and becomes constant at maximum level and then decreases.
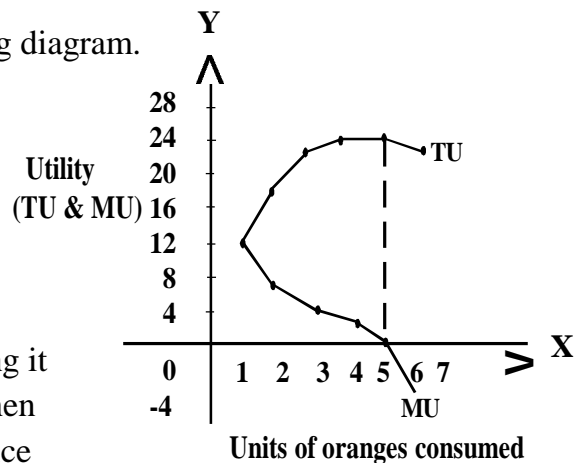
Where as MU curve from the starting it slopes downwards and attains negative ,when it moves beyond X axis. Here we can notice that when MU is zero TU is maximum.

When MU moves beyond X axis, TU starts decreasing .

In these way we can explain Law of DiminishingMarginal Utility.

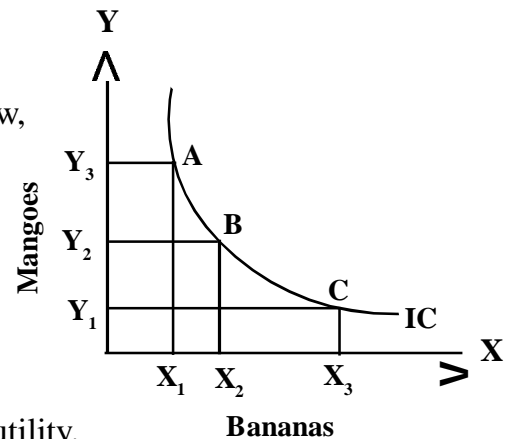2)   Explain the features of Indifference curves with the help of diagram .

Ans   Indifference curve is a curve which is got by joining different points (combinations)of two goods which give same level of satisfaction .
The main features of Indifference curves are as follows.

a] <u>Indifference curves slopes downwards from left to right</u>
This is the case because, the consumer in order to
have more of one product, he has to forgo some
units of other product.
This can be explained with the help of diagram below,

As long as the consumer is on the same
indifferents curves, an increase in bananas
must be compensated by a fall in quantity of
mangoes. (movement from A to C) That is why
Indifference curves slopes downward from left
to right.

b] <u>Higher indifference curves gives greater level of utility.</u>
Higher indifference curve gives more satisfaction ot utility than the lower one .
This is another feature of indifference curves.
This can be explained with the following table and a diagram.

Combination	Bananas	Mangoes
A	1	10
B	2	10
C	3	10

Let us consider the different combinations
of two goods bananas and mangoes A, B
and C. Here all the three combinations
consists same quantity of mangoes but
Ccombination have more bananas than
A and B. There fore consumer prefers C
combination on higher indifference IC_3 than
the lower ones, which givea greater level
of utility.
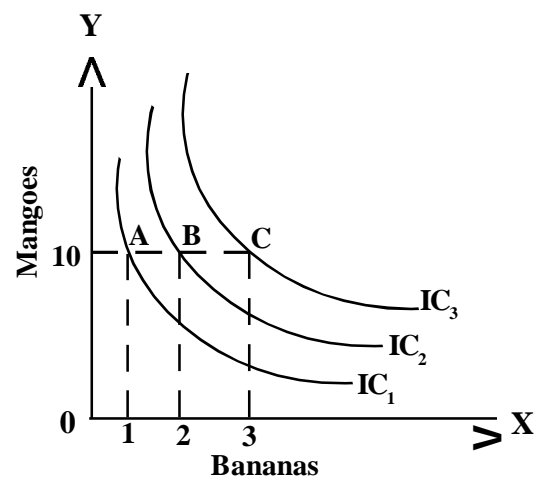
C] <u>Two indifference curves never intersect each other-</u>
If the two indifference curves intersect each other, they will give conflicting
results.This can be explained with the help of diagram.
In the above diagram IC_1 and IC_2 are the
two indifference curves. They have intersected
each other at point A and at point A, consumer
gets equal satisfaction , but it is ubsurd.
Here on B and C points consumer gets
different satisfaction., but it is not possible
to have different satisfaction levels on one
indifference curve. Thus two indifference curves cannot intersect each other.
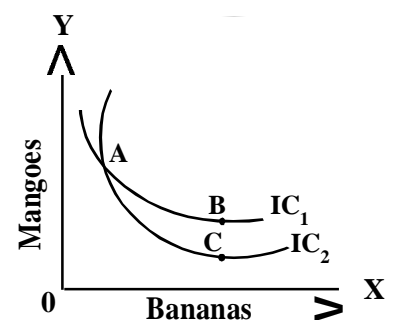
3)   Explain the optimal choice of consumer with the help of diagram.

Ans   Indifference curve shows consumers choice and preference . Similarly budget line shows his capacity to pay for it .

The main objective of a consumer is to get more satisfaction . To fulfill his satisfaction he has to match his income with purchase of two goods .

That is know the optimal choice of consumer which gives equilibrium state with more satisfaction, we have to intersect indifference curve with budget line.

Assumptions -

1) Income of a consumer is constant.

2) Consumer is a rational individual and prefers to get maximum satisfaction.

3) Consumer is aware of indifference map.

The consumer always tries to move to a point on the highest possible indifference curve gives from budget set.

Thus the optimum point would be located on the budget line and here the point on higher indifference curve equal to his income will give more satisfaction than the other points.

Since consumer go for monotonic preference of prefering higher indifference curve with his income levels , point A will become optimal choice of consumer. Though points C and E meet budget line they cannot become optimal points. Because they are on lower indifference curve.

Similarly point B is below budget line , this cannot become optimal point.In the same way point D is outside the budget line , consumer cannot reach to that point, so it cannot become optimal point.

As shown in diagram point A on IC_2 indifference curve becomes optimal point. At this point consumer purchase ON amount of mangoes and OM level of Bananas and attains equilibrium by getting maximum satisfaction.
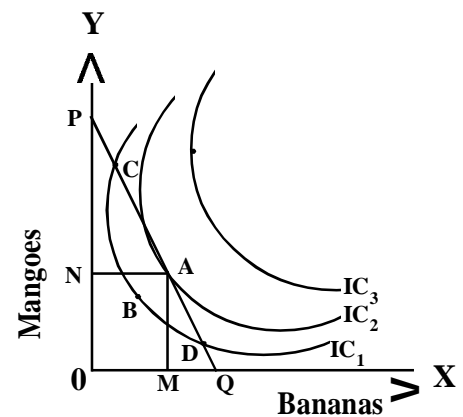
VIII Assignment and Project Oriented questions . (5 mark seach).

1)   A consumer wants to consume two goods . The price of bananas is Rs 5 and price of mangoes is Rs 10. If the income of the consumer is Rs 40, Answer the following questions .

a] How many mangoes that a consumer can purchase with his entire income ?

b] How many mangoes that a consumer can purchase with his entire income ?

c] Slope of the budget line is downward or upward?

d] Are the bundles on the budget line equal to the consumer's income or not ?

e] If you want to have more of Bananas you have to give up Mangoes. Is it true?

Ans   a]Consumer can purchase 8 bananas with his entire income .

b] Consumer can purchase 4 mangoes with his entire income.

c] Slope of the budget line is downward.

d] Yes bundles on the budget line are equal to the consumer's income .

e] Yes, if you want to have more of Bananas you have to give up mangoes.

****

- 10 -

PRODUCTION AND COSTS

I **Choose the correct answer. Each question carries one mark.**

1) The formula of production function is

   a] q= f(L, K)   b] q= d   c] Y= f(x)   d] None of the above

Ans a] q= f(L, K)

2) In the short run a firm

   a] can change all the inputs   b] cannot vary all the inputs

   c] can keep the input fixed   d] None of the above

Ans b] cannot vary all the inputs

3) The change in output per unit of change in the input is called

   a] Marginal product   b] Average product

   c]Total product   d] product

Ans a] Marginal product

4) Cabb-Daglas production function is

   a] q= (X, X)   b] (X_1, X_2)

   c] q= (X^{α}_1 x X^{β}_2)   d] q = (10)

Ans c] q= (X^{α}_1 x X^{β}_2)

5) TC=

   a] TVC   b] TFC   c] TFC + TVC   d] AC + MC

Ans c] TFC + TVC

II **Fill in the blanks (Each question carries one mark).**

1) In the long run inputs are **Variable.**

2) **Average product** is defined as output per unit of variable input.

3) Marginal product and Average product curves are **inversed U** in shape.

4) SMC curve cuts, AVC curve at the **minimum** points of AVC curve from below.

5) **ISO quant** is the set of all possible combination of the two inputs, that yield the same maximum possibel level of output.

III Match the following (Each question carries one mark)

A	B
1) CRS	a] $\dfrac{\Delta TC}{\Delta Q}$
2) SAC	b] Long run average cost
3) LRAC	c] Short run average costs
4)TFC + TVC	d] Constant return to scale .
5) SMC	e] TC

Ans 1)-d] , 2) -c] , 3) -b] , 4)- e], 5)- a]a] $\dfrac{\Delta TC}{\Delta Q}$

IV **Answer the following questions in a word , a sentence each (Each question carries 1 mark).**

1) What do you mean by Total product?

Ans The total volume of goods and services produced by a firm during a specified period of time is called Total product.

2)   What is Average Product?

Ans   The Average product refers to per unit of output produced with the help of variable input .

3)   Give the meaning of Marginal Product.

Ans   The change in output per unit of change in input is called Marginal product.

4)   What is Total Fixed cost?

Ans   The cost which is incurred on fixed factor input of production.

5)   What is Average Fixed cost?

Ans   Average fixed cost refers to the total fixed cost per units of output.

V   Answer the following questions in four sentences . (each questions carries 2 marks)

1)   What is Isoquants?

Ans   Isoquants refers to that the locus of all possible combinations of 2 inputs which results in the same maximum output level.

2)   Give the meaning of the concepts shortrun and long run .

Ans   Short run- It is the period of time in which a firm cannot varries all inputs .
      Long run- It is the period of time in which a firm can varries all inputs .

3)   Mention the types of Return to scale .

Ans   1) Increasing return to scale -IRS.
      2) Constant Return to scale CRS
      3) Decreasing Return to scale DRS.

4)   What are the Long run costs?

Ans   Long -run Average cost LRAC   2) Long run Marginal cost - LRMC

5)   Name the short run costs.

Ans   1) Total Fixed costs   2) Total variable cost
      3) Total cost   4) Average Fixed cost

VI   Answer the following questions in 12 sentences.
      (each question carries 4 marks)

1)   Explain Isoquants with the help of a diagram .

Ans   Isoquants refers to the locus of all possible combinations of 2 inputs which results in the same maximum output level.
      Explain with the diagram
      In the above diagram on OX axis we measure Capital. We have 3 Isoquants for the 3 output levels, namely Iq_1, Iq_2 and Iq_3. According to the principles of MRTS, a firm get same level of output only occures when increasing units of one input are offset with laser units of another input. Example : As an example the same level of output could achieved by a firm when CAPITAL inputs increase but LABOUR input decrease.

2) Explain the Total product, Average product and Marginbal Product with the examples.

Ans Total product- It is refers to the aggregate output produced with the help of variable inputs during a particular period. It is obtained by adding the Marginal products contributed by each factor. TP= ΣMPs.

Average Product: Average product is defined as the output per unit of variable input. We calculate it as AP =

Marginal Product:The change in output per unit of change in the input is called Marginal product. We calculate it as MP.

The concepts Total products , Average product and marginal product can be explained following below table.

Factor	TPL	APL	MPL
0	0	0	0
1	10	10	10
2	24	12	14
3	40	13.33	16
4	50	11.2	6
5	56	11.2	6
6	57	9.5	1

3) Write a brief note on Returns to scale .

Ans The law of returns to scale explain the physical relationship between Input and output in the long run. It explain the behaviour of output when quantities of all input are changed in same proportion.

Stages of returns to scale .

1) Increasing returns to scale : When the output increases by a greater proportion than the proportion on increase in all the inputs it is called Increasing returns . Ex. If 5% increase in the inputs by firm results in 10% increase in outputs .

2) Constant returns to scale : When output increases by the same proportion as that of increase in inputs , it is called constant returns to scale .
Ex:- If 5% increase in the inputs by firm results in 5% increases in outputs .

3) Diminishing Returns to scale :- When output increases less than the proportion of input it is called Diminishing return to scale.
Ex- If 5% increase in inpute results in only 2% increase in output.
According to this diagram
1) From Point I to R is is IRS.
2) From point R to C it is CRS.
3) From point C to D it is DRS.
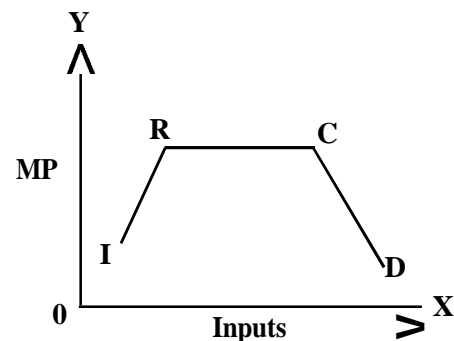
4) Explain the Long run costs.

Ans All the factors are variable in the long run. Here there is no TFC and AFC in the long run. The two major costs in the long run are as follows.

a] Long run Average cost - LRAC   b] Long run Marginal cost LRMC
Long run average cost (LRAC) defined as cost per unit of output, LRAC =
Long run Marginal cost (LRMC) is the change in total cost per unit of change
in output.

ACC to above diagram .
1) In the stage of IRS , both LRMC
   and LRAC decreases.
2) In the stages of CRS , both LRMC
   and LRAC reach to minimum.
3) In the stages of DRS , both LRMC
   and LRAC increases.
4) LRMC curve cuts the LRAC from
   below at its minimum point.
5) Both LRMC and LRAC curves are U shaped in long run.
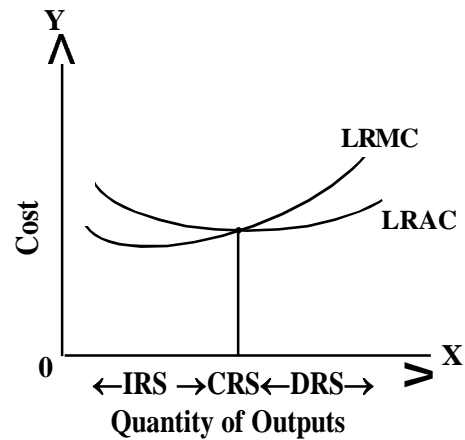
5) The following table gives the total product (TP_L) find the corresponding AP_L
    and MP_L.

TP_L	0	15	35	50	40	48
L	0	1	2	3	4	5

Ans   The formulas which are using for calculating AP_L and MP_L.

L	TP	AP	MP
0	0	0	0
1	15	15	15
2	35	17.5	20
3	50	16.6	15
4	40	10	-10
5	48	9.6	8

The formulas which are using for calculating
AP and MP
1) AP = $\dfrac{TP}{L}$ 2) MP = $\dfrac{\Delta TP}{\Delta L}$
ΔTP= change in total product
ΔL= change in labour input

The formulas which are using for calculating AP and MP

1) $AP_L = \dfrac{TP_L}{L}$ $\dfrac{\Delta TC}{\Delta Q}$

2) MP= $\dfrac{\Delta TP}{\Delta L}$

VII   Answer the following questions in 20 sentences. (each questions carries 6 marks)
1)   Explain the various short run costs.
Ans   The various short-run costs are explained following below.
   1) Total Fixed Cost : TFC
       TFC is refer to the total money expenses incurred on all the fixed factors in the
   shortrun. Ex- Expenses on Machineries , Plant, Building etc. TFC remain constant at
   all levels of output.

2) Total Variable Cost TVC

TVC is refer to the total money expenses on the variable inputs in the short run.

Ex- Expenses on Raw-materials , Fuel, Wages of daily Labours etc.

TVC changes at all the levels of output.

3) Total Cost : TC

 It is the aggregate money expenditure incurred on both Fixed and Variable inputs .
 TC include TFC and TVC. Therfore TC= TFC + TVC

4)Average Fixed Cost-

It is the fixed cost per of output. There was inverse relationship between AFC and TFC

5)Average Variable Cost- AVC

It is a variable cost per unit of output . It can be calculated by dividing the TVC by the Total units of output.

6)Average Cost-AC

 It is the cost per unit of output produced. It is obtained by dividing TC by the total output produced.

7) Marginal Cost MC

It is an additional cost incurred to produce an additional output.

$MC= TC_n - TC_{n-1}$ OR MC

2) Explain the law of variable proportions with the help of diagram.

This law operates in short run period . According to this law, a producer can enhance the output by increasing only one variable input by keeping other factor inputs fixed. Stages of the LVP-

1) Increasing Returns - In this stage Total product (TP) increases at an increasing rate. At the same time AP and MP increases but not like TP.

2) Diminishing Returns - In this stage TP continues to increase at diminishing rate .
   because in this stage both MP and AP starts decrasing with the increase in Inputs .

3)Negative Returns - In this stage the TP
   and AP all be falling but they are positive .
   But MP is negative and cross the OX axis .

Explain with diagram

In the above diagram , factor input like labour is measured in OX axis and TP, AP and MP are measured on OY axis .

According to this diagram

1) In the first stage TP, AP and MP are increasing

2) In the second stage Tp increases at diminishing rate . But MP and AP start falling

3) In the third stage TP, AP and MP are falling and Mp becomes negative.
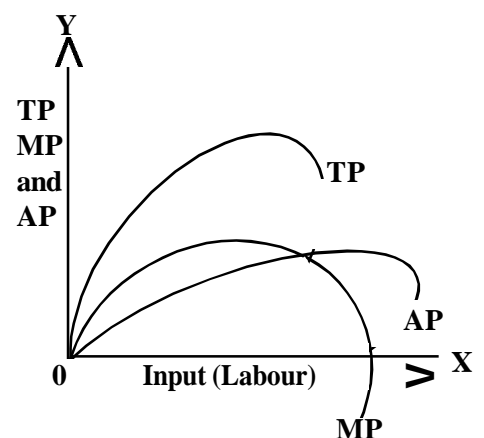
3) A firm SMC is shows in the following table . TFC is 100. Find TVC, TC, AVC and SAC scheduls of the firm .

Q	0	1	2	3	4	5	6
SMC	-	500	300	200	300	500	800

Ans

Q	SMC	TFC	TVC	TC	AVC	SAC
0	-	100	0	100	-	-
1	500	100	500	600	500	600
2	300	100	800	900	400	450
3	200	100	1000	1100	333.33	366.66
4	300	100	1300	1400	325	350
5	500	100	1800	1900	360	380
6	800	100	2600	2700	433.33	450

Following formulas are used to derive above values

1) $TC_n = MC + TC_{n-1}$ 2) $TVC = TC - TFC$

3) $AVC = \dfrac{TVC}{Q}$ 4) $SAC = \dfrac{TC}{Q}$

VIII Assignment and project oriented questions .

Find the missing products in the following table.

Factor	TP	MP	AP
0	0	0	0
1	10		10
2	24		12
3		16	13.33
4		10	
5		6	11.2
6	57	1	9.5

****

CHAPTER -4
THE THEORY OF FIRM UNDER PERFECT COMPETITION

I   **Choose the correct answer. Each question carries one mark.**

1)   In a Perfect competition each firm produces and sells.

   a]Heterogeneous product   b] Homogeneous products

   c] Luxury product   d] Necessary goods

Ans   b] Homogeneous products

2)   The increase in total revenue for a unit increase in out put is

   a] Marginal Revenue   b] Average revenue   c] Total revenue   d] fixed revenue

Ans   a] Marginal Revenue

3)   The firm's profit is denoted by

   a] Σ b] Δ c] θ d] π

Ans   d] π

4)   When the supply curve is verticle the elasticity of supply is

   a] es=1   b]es > 1   c]es=0   d] es< 1

Ans   c] es =0

5)   The revenue per unit of output of a firm is called as

   a]TR   b]MR   c] AR   d] None of the above

Ans   c] AR

II   **Fill in the blanks. (each questions carries one marks)**

1)   Price taking behaviour is the single most distinguished characteristics of **Perfect Competition Market**.

2)   **Unit tax** is a tax that the government imposes per unit sale of output

3)   For a price taking firn Marginal Revenue is equal to **AR and Price** .

4)   The point of minimum AVC where the SMC curves cuts the AVC curves is called **Shut down point.**

5)   **Opportunity** cost of some activity is the gain forgone from the second best activity.

III   **Match the following (each question carry one mark)**

1)   **A**   **B**

   1) MR=   Perfect Information

   2) π Zero point

   3) AR $\Delta TC / \Delta Q$

   4) Normal profit   T$_R$ - T$_C$

   5) Perfect Competition $\dfrac{TR}{q}$

Ans   1.c   2.d, 3.e, 4.b, 5.a

IV   **Answer the following questions in a sentence or a word.**
         (Each question carries 1 mark).
1)   Define Marginal Revenue.
Ans   Additional Revenue earned by selling of additional unit of a commodity.
2)   To which side does supply curve shifts due to technological progress?
Ans   To The Right side
3)   Write the formual to calculate average revenue

Ans   AR = $\dfrac{TR}{q}$

4)   What is Normal Profit?
Ans   Zero profit situation , where TR= TC
5)   Give the meaning of Super Normal Profit .
Ans   Profit over and above the Normal profit.

V   **Answer the following questions in about four sentences .**
         (each question carries 2 marks)
1)   Mention the conditions needed for profit by a firm under Perfect Competition
      conditions .
Ans   a] P=MC   2) MC must not be decreasing
      3) In short run P ≥ AVC in long run P ≥AC .
2)   Give the meaning of Shut down point.
Ans   The point at which SMC curve of a firm cuts the minimum point of AVC curve is
      called Shut Down Point. Any point above this point indicates positive production
      and any point below this indicates no production.
3)   Write the meaning of opportunity cost with an example.
Ans   The cost of the next best alternative sacrificed is called opportunity cost.
      Example : The farmer can grow paddy or wheat in his field . If he decides to grow
      paddy. The income of wheat must be added to the cost of paddy.
4)   Mention the two determinants of firms supply curve .
Ans   Technological progress and Input prices.
5)   Give the meaning of price elasticity of supply and write its formula.
Ans   The responsiveness of supply to change in price is called price
      elasticity of supply. $e_s = \dfrac{\Delta Q}{\Delta P} \times \dfrac{P}{Q}$

VI   **Answer the following questions in about 12 sentences each**
         (each question carries 4 marks)
1)   Write a short note on profit maximisation of a firm under the following conditions,
      1) P=MC   2) MC must be non decreasing at q_0?
Ans   For profit maximisation, the firm has to fulfill following conditions .
      1) P= MC   2) Mc must be non decreasing at q_0.
      3) In short run P ≥AVC and in long run P≥ AC
      In a Perfect competitive firm profit maximisation is possible at the level of output

where MR=MC. For a Perfect Competitive firm MR=P so P=MC

For a perfect competitive firm profit maximisation is possible where MC is increasing up to the price level.

2) Explain the determinants of a firms supply curve .

Ans The firms supply curve is a part of its Marginal cost curve. So any factor that affects the firm's marginal cost curve of course a determinants of its supply curve . They are

1) Technological progress- Technological progress shifts the supply curve of the firm to the right side . It increases the production.

2) Input prices - Input prices shifts the supply curve of the firm to the left side . It decreases the production.

3) Explain the features of Perfect Competition.

Ans Market situation in which there are large number of buyers and sellers who buy and sell homogenious products at a uniform price is called Perfect Competition Market. The features of Perfect Competition market.

1) Large number of buyers and sellers   2) Homogeneous price
3) Uniform price   4) Free market entry and exit of firms
5) Price taking behaviour   6) Perfect market knowledge to buyers and sellers

4) Write about shut down point. Normal profit and Break even point.

Ans Shut down point- The point at which SMC curve of a firm cuts the minimum point of AVC curve is called Shut down point. Any point above this point indicates positive production and any point below this indicates no production.

Normal Profit - A situation where the firm's total cost is equal to the total revenue earned is called Normal profit. It is a no loss and no profit situation. It is the minimum profit needed for the firm to continue in the business.

Break Even point- The point on the supply curve at which a firm earns only normal profit is called break even point of the firm. It is no loss no profit point.

VII   Answer the following questions in about 20 sentences each.
    (Each question carries six marks)

1) Explain the short run supply curve of a firm with the help of a diagram .

Ans The supply curve of a firm shows the level of output of a firm supply at different market prices .

In the short run, the firm will produce and supply at the market price which is greater than or equal to AVC. (P≥ AVC).

If the price is less than AVC then the firm will not supply. This is explained in the following diagram.

In the diagram at the market price P_1 which is less than minimum AVC, then the firm will not produce. Its production is zero.

At the price P_2 which is greater than AVC then . The firm will produce Q level
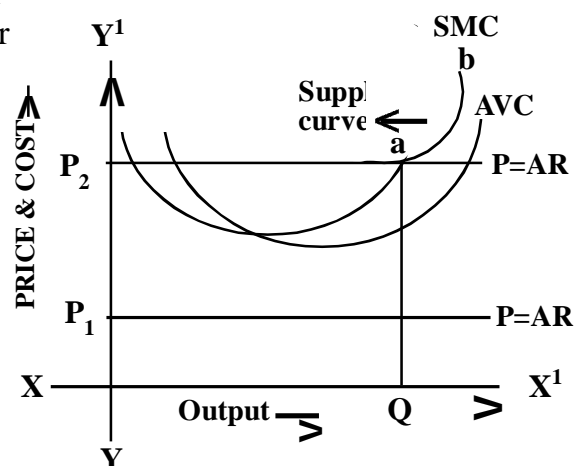
of output.

The short run supply curve is the raising part of SMC curve which is from and above the AVC. In the diagram ab is short run supply curve. It is sloping upward which indicates positive relation between price and supply.

2)   Explain the Total revenue and Average revenue of a firm under perfect competition with the help of diagram .

Ans   Total revenue (TR) is the revenue received by selling of all produced units.
Total Revenue (TR)= P(price) x Q (quantity)

In Perfect Competition price remains constant Total revenue is determined by the number of units sold. Increase in units sold increasesTotal revenue. So TR curve is upward sloping straight line .
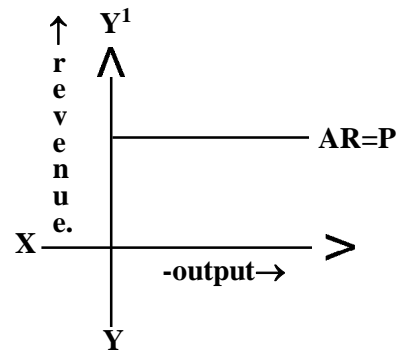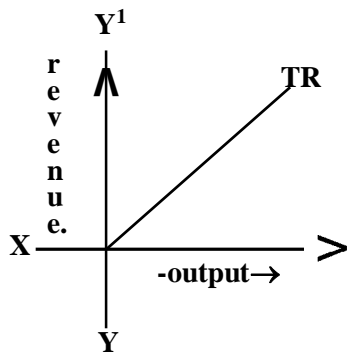
In the diagram TR is total revenue curve. It is upward sloping straight line .
Average revenue (AR) is the revenue earned per unit of output sold. AR $= \dfrac{TR}{Q}$
In Perfect Competition , Average revenue is equal to the market price.
AR =P. So AR -line and price line are same. It is a horizontal line parallel to X- axis.   In the diagram AR is Average revenue line   parallel to X-axis.

3)   Explain Market supply curve with the help of a diagram.

Ans   A graphical representation of market supply schedule is called market supply curve.
It is obtained by horizontal summation of individual supply curves .
Market Supply = Firm 1 suppy + Firm 2 supply...
Let us assume there are only two firm is in theeconomy. They are Firm-1 and Firm -2. The Firm -1 at P_1 price will produce and supply Q_1 Quantity of output. Firm-2 at P_2 price will produce and supply Q_2 quantity of output. The horizontal summation of these two firms supply will obtain us market supply.
Marklet Supply- Firm -1 Supply + Firm 2 Supply
$\qquad = Q_1 + Q_2$
$\qquad = Q_3$
This is illustrate in the following diagrams.

(a) _____ Quantity _____ (c)

(b)
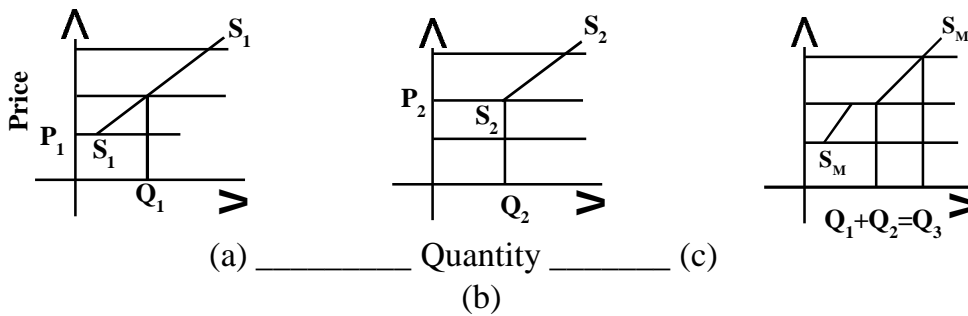
In the diagram (a) S_1S_1 is the supply curve of Firm-1

In the diagram (b) S_2S_2 is the supply curve of Firm -2

In the diagram (c) SM SM is market supply curve. It is obtained by horizontal summation of two supply curves.

4) **Assignment and Project Oriented question. Each question carries 5 marks.**
Compute the total revenue , Marginal revenue and average revenue schedules in the following table when the market price of each unit of goods is Rs 10.

Quantity sold	TR	MR	AR
0			
1			
2			
3			
4			
5			
6			

$$AR = \frac{TR}{Q}$$

Ans

Quantity sold	TR	MR	AR
0	0	0	0
1	10	10	10
2	20	10	10
3	30	10	10
4	40	10	10
5	50	10	10
6	60	10	10

$TR = P \times Q$

$MR = TR_n - TR_{n-1}$

$$AR = \frac{TR}{Q}$$

For Blind students : Explain the meaning of TR, MR and AR.

TR Total Revenue - Revenue earned by selling of all the units produced is called total revenue (TR). TR= P x Q

MR Marginal Revenue - Additional revenue earned by selling of additional unit is called Marginal revenue (MR). MR - TR_n -TR_{n-1}

AR Average revenue - Revenue per unit of output is called Average revenue (AR).

✱✱✱✱✱✱✱✱✱✱

MACRO ECONOMICS
CHAPTER -1
INTRODUCTION

I   **Choose the correct answer. Each question carries one mark.**

1)   The individuals or institutions which take economic decisions are____

a]Economic variables   b] Economic Agents

c] Economists   d] None of the above

Ans   b] Economic Agents

2)   In 1936 British economist J.M. Keynes published his celebrated book

a] Wealth of Nations   b] Theory of Interest

c] General theory of employment. interest and Money.

d] Theory of Employment

Ans   c] General theory of employment. interest and Money.

3)   All the labourers who are ready to work will find employment and all the factories will be working at their full capacity, this school of thought is known as

a] Modern thought   b] Classical thought

c] Contemporary thought   d] None of these

Ans   b] Classical thought

4)   The year of Great Depression

a] 1920   b] 1889   c] 1929   d] 2018

Ans   c] 1929

5)   In a capitalist country production activities are mainly carried out by

a] Private enterprises   b] Planning authority

c] Government authority   d] None of the above

Ans   a] Private enterprises

II   **Fill in the blanks. (each questions carries one marks)**

1)   Macro economics tries to address situation facing the economy **as a whole** .

2)   A part of the revenue is paid out as **rent** for the service rendered by land.

3)   The domestic country may sell goods to the rest of the world.

These are called **exports**.

4)   **Production units** will be called as firms .

5)   **Macro economic** policies are pursued by the state itself or statutory bodies like RBI SEBI etc.

III   **Answer the following questions in a sentence or a word**

(each question carries one mark)

1)   Who are Economic agents?

Ans   Economic agents are those individuals or institutions which take economic decisions. They can be consumers, producers, government Corporation Banks etc.

2)   What does classical school of thought say?

Ans   The classical school of thought says that all the labourers who are ready to work will
       find employment and all the factories will be working at their full capacity.

3)   Give the meaning of imports.

Ans   When the economy buys goods from the rest of the world, they are called imports.

4)   Name the well known work of Adam Smith.

Ans   An Enquiry into the Nature and Cause of the Wealth of Nations .

5)   What do you mean by wage rate?

Ans   The price paid for purchase of labour services is called wage rate .

IV   Answer the following questions in four sentences .
       (each question carries 2 marks)

1)   What are the features of capitalistic economy?

Ans   The important features of a capitalist of economy are as follows
       - There is private ownership of means of production.
       -Production takes place for selling the output in the market.
       - There is sale and purchase of labour services at a price which is called wage rate.
       - A typical capitalist enterprise has one or several entrepreneurs and exercise control
        over major decisions.
       The entrepreneurs may themselves supply the capital needed or they may borrow the
       capital

2)   Name and write the meaning of two kinds of trade in external sector.

Ans   The two kinds of trade in external are Export and Imports. A country may sell goods
       to the restof the world Exports, A country may buy goods from other countries,
       imports.

3)   Who are the macro economic decision makers?

Ans   1) The Reserve Bank of India. 2) Security exchange Board of India.
       3) Government , 4) Other Financial Institutions.

4)   Mention factors of production

Ans   1) Land   2) Labour   3) Capital   4) Organisation

                    ✳✳✳✳✳✳✳✳✳✳

                         PART-B
                 MACRO   ECONOMICS
                        CHAPTER -2
              NATIONAL INCOME ACCOUNTING

I   Choose the correct answer. Each question carries one mark.

1)   The study of National Income is related to _____
       a]Micro Economics   b] Macro Economics
       c]Both Micro and Macro   d] None of the above

Ans   b] Macro Economics

2)   NNP=GNP-
       a]Deduction   b] Depreciation   c] Investment   d] None of the above

Ans   b] Depreciation

3)   The value of GDP at the current prevailing prices is
       a] Real GDP   b] GDP at factor cost   c] Nominal GDP   d] NDP
Ans   c]Nominal GDP
4)   Measuring the sum total of all factor payments will be called
       a] Product method   b] Expenditure method
       c] Income method   d] None of the above
Ans   c] Income method

II   Fill in the blanks. (each questions carries one marks)
1)   **Final** goods will not pass through any more stages of production.
2)   **Depreciation** is an annual allowance for wear and tear of a capital good.
3)   Pollution is an example for **negative** externalities .
4)   The net contribution made by a firm is called its **value added**.
5)   A part of revenue is paid out as **rent** for the service rendered by land .

III   Match the following.(each question carries one mark)
             A   B
1)   Labour   a] Non-Monetary exchange
2)   GDP   b]Personal disposable income
3)   PDI   c]Stock variable
4)   Domestic service   d]Gross Domestic product
5)   Inventary   e] Wages
Ans   1-e, 2-d, 3-b, 4-a, 5-c

IV   Answer the following questions in a sentence or word.
       (each question carries 1 mark)
1)   What do you mean by final goods?
Ans   Those goods which do nnot undergo any further transformation in the production
       process is called final goods.
2)   Expand CPI
Ans   Consumer Price Index
3)   Expand GNP$_{MP}$
Ans   Gross National Product at market price .
4)   Give the meaning of GDP.
Ans   Aggregate value of goods and services produce with in the domestic territory of a
       country is called GDP.
5)   What is Depreciation?
Ans   It is a deduction made from the value of gross investment in order to accommodate
       regular wear and tear of capital goods.
6)   How do we get personal disposable income ?
Ans   The personal disposable income is obtained by deducting personal tax payments and
       non tax payments from personal Income.

V   Answer the following questions in four sentences (each question carries 2marks)

1)   What are the four factors of production? Mention their rewards.

Ans   Land - Rent ,   Labour - wages ,   Capital - Interest, Organisation- Profit

2)   Distinguish between stock and flow. Give example .

Ans
Stock	Flow
It is that quantity of economic variable which is measured at a particular point of time	It refers to that quantity of economics variable measured over a period of time
Example- capital, inventary, wealth Foreign exchange , reserves etc.	Examples- Investment, salary, National income etc.

3)   What is the difference between Consumer goods and Capital goods ?

Consumer Goods	Capital Goods
These are the goods which are purchased for consumption by ultimate consumers.	These are the durable goods which are used in the production process
Examples Food, Cloths, Mobile phones etc.	Examples - Machinery, tools , implements etc.

4)   Mention three methods of measuring GDP. (National Income).

Ans   The three methods of measuring GDP are
       a] Product or value added method, b]Expenditure method c) Income method

5)   What do you mean by Externalities? Mention its two types .

Ans   Externalities refer to the benefits (or) harms a firm (or) an individual causes to another for which they are not paid (or) penalized. They do not have any market in which that can be bought and sold. The two types of externalities are
       a] Positive Externalities b] Negative Externalities.

6)   Write the difference between Nominal and Real GDP.

Ans   The total money value of goods and services produced in a country during a year expressed at the current prices is called Nominal GDP.
       The National Income expressed in terms of a base year price index is called Real GDP.

VI   Answer the following questions in 12 sentences.
       (each question carries 4 marks)

1)   Explain the circular flow of Income of an economy.

Ans   The circular flow of Income of an economy can be explained with the help of following Assumption.
       a] Existence of two sectors that is household sector and Firms.
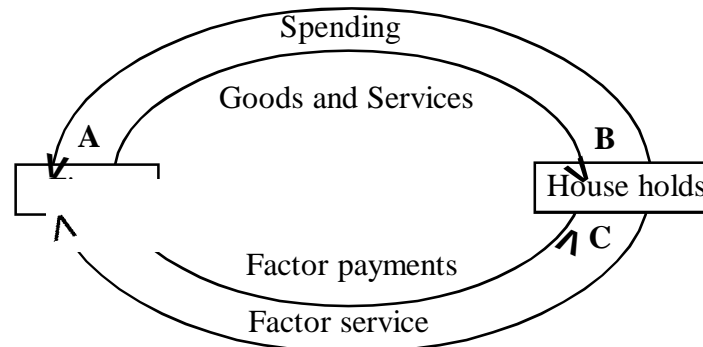   b] Households are the owners of the factors of production.
       c] Households receive income by selling the factor services .
       d] There are no savings .
       e] The firms produce goods to the households.
       f] The economy is a closed economic system The circular flow of income in a simple economy can be illustrated with the help of following chart.

In the above chart, the uppermost arrow, going from the households to the firms , represents the spending by the households to buy goods and services produced by the firms. The second arrow going from the firms to the households is the counterpart of the arrow above.It stands for the goods and services which are flowing from the firms to the households. Thus the two arrows on the top represent the goods and services market. The arrow above represents the flow of payment for the goods and services, the arrow below represents the flow of goods and services .

The two arrows at the bottom of the diagram similarly represent the factors of the production market. The lower most arrow going from the households to the firms symbolizes the services that the households are rendering to the firms using these services the firms are producing the output. The arrow above this, going from the firms to the households , represents the payments made by the firms to the house holds for the services provided by the households.

2) Write a note on Externalities .

Ans Uninternational concequences of an economic action of a person (or) a firm that accures to another person (or) firm is called Externalities.
These are two types of externalities
a] Positive Externalities   b] Negative Externalities
a] Positive Externalities - The externalities which are increases welfare of the individuals and society is called Positive Externalities .
Ex- Let us imagine that there is chemical fertilizer industry. It produces the chemical fertilizers required for agriculture. The output of the industry is taken for counting GDP of an economy.
b] Negative Externalities - The externalities which are decrease welfare of the individuals and society is called Negative Externalities .
Ex- While carrying out the production the chemical fertilizer industry may also be polluting the near by river. This may cause harm to the people who use the water of the river. Hence their health will be affected. Pollution also may kill fish and other organisms of the river. As a result, the fishermen of the river may lose their livelihood.

3) Explain the examples of Planned accumulation and deccumulation of inventories .
Ans Inventories are the unsold goods , unused raw materials(or) semi-finished goods which a firm carries from a year to the next year. Change in inventories may be

planned or unplanned. A planned change in inventories is the change in the stock of inventories which has occured in a planned way. The planned accumulation and decumulation of inventaries are explained with example as follows.

Suppose a firm wants to increase the inventories from 200 T shirts to 400 T shirts during the year . Expecting sales of 2000 T shirts during the year. The firm produces 2000 + 200 =2200 T shirts. If the sales are actually 2000 T shirts, the firm ends up with a rise of inventories . The new stock of inventories is 400 T shirts. which was planned by the firm . This is planned accumulation of inventories.

On the other hand, if the firm had wanted to reduce the inventories from 200 to 50, then it would produce 2000- 150= 1850T shirts. This is because it plans to sell 150 T shirts out of the inventory of 200 T shirts it started with . Then the inventory at the end of the year becomes 200-150=50 T shirts. Which the firm wants. If the sales turnout to be 2000T shirts as expected by the firm, the firm will be left with the planned reduced inventory of 50 T shirts. These the two examples of planned accumulation and planned decumulation of inventories.

VII   Answer the following questions in 20 sentences :
(Each question carries six marks)

1)   Explain the Macro Economic identities .

Ans   National Income is an important concept of Macro economics . There are various aggregates or identities of National income. Each aggregate has a specific meaning method of measurement and use. The various identities of National Income are

Gross Domestic product(GDP)- The aggregate value of final goods and services produced with in the country during a year is called Gross Domestic product. The concept of GDP dose not consider the value of goods and services produced by the nationals working in foreign countries.

Thus GDP= C+I+G+X-M

Net Domestic product(NDP)- The aggregate money value of all final goods and services produced within the country less depreciation is called NDP, when depreciation allowence is subtracted from GDP we get NDP . Hence

NDP= GDP- depreciation cost

Gross National Product[GNP]- The aggregate money value of all final goods and services produced by a country in a year including net income from abroad is called GNP. Thus GNP = GDP + Net factor income from abroad.

Net National Product[NNP]-The aggregate money value of all final goods and services produced by country in a year minus depreciation cost is called NNP.

NNP = GNP - Depreciation cost

Personal Income (PI)- The sum of the income that are actually received by house hold from all the sources is called personal income. Therefore personal income is that part of national income of a country which is received by people or households.

Thus P.I. = National Income - Undistributed Corporate Profits- Net Interest + Payment made by the households - Corporate tax+ Transfer payment to the household from the government and the firms .

Personal disposable Income (PDI)- If we deduct the personal tax payments and Non-tax payments from personal Income we get personal disposable income . Therefore PDI= PI- Personal tax payments - Non tax payments

Net National Product at factor cost- (NNP$_{FC}$)- The NNP t factor is the sum of income earned by all factors in the production in the form of wages, profits rent and interset etc. belong to a country during a year

NNP$_{FC}$= NNp at market prices - Indirect taxes + Subsidies.

2) Explain a numerical example to show that all the three methods of estimating GDP gives us the same answer.

Ans While calculating National Income we use three methods . But all methods give same results . This can be explain with the following example.

Ex- There are two firms A and B suppose A uses no raw materials and produces cotton worth Rs 50. A sells its cotton to firm B, who uses its to produce cloth. B sells the cloth produced to consumers for Rs 200.

1)GDP in the phase of product or the value added method -

Here the value added = Sales - Intermediate goods

Thus VA$_A$= 50-0=50

VA$_B$= 200 -50 = 150

GDP= VA$_A$ + VA$_B$

50 + 150

GDP = 200

GDP distribution for firms A and B

Particulars	Firm A	Firm B
Sales	50	200
Intermediate Consumption	0	50
Value added	50	150

2)GDP in the phase of disposition or The Expenditure Method -

Under this method , GDP is the sum of final expenditure or expenditures on goods and services for end use. In the above case the final expenditure is expenditure by consumer on cloth. Therfore GDP=200

3)GDP in the phase of Distribution or Income Method -

Under this method , GDP is obtained by adding factor payments. Let us imagine firm A and B again. Firm A Rs 50 received gives Rs 30 as wages and keeps the remaining Rs 20 as its profits . Similarly firm gives Rs 100 as wages and keeps Rs 50 as profits. It can be stated in the following table .

Particulars	Firm A	Firm B	Total
Wages	30	100	130
Profits	20	50	70

Now the GDP by Income method = Total of factor payments which is equal to total wages received and total profits earned.

Thus GDP= Wages + profits

GDP = 130 + 70

= 200

Thus all the three methods of estimating GDP give us the same answer.

****

CHAPTER -3
MONEY AND BANKING

I **Choose the correct answer. Each question carries one mark.**

1) The main functions of money is _____

a] Savings   b] Medium of exchange   c] Expenditure   d] Investment

Ans b] Medium of exchange

2) The bank which acts as monetary authority of India

a] RBI   b] NABARD   c]RRB   d] IDBI

Ans a] RBI

3) The banks which are a part of the money creating system of the economy are___

a] Bankers   b] Commercial Banks   c] RBI   d] None of the above

Ans b] Commercial Banks

4) The rate at which the RBI lends money to commercial banks against securities____

a]Bank rate   b] Reporate   c] Reverse Reporate   d] None of the above

Ans a]Bank rate

5) The important tool by which RBI influences money supply is ___

a] Open Market Operations   b] Money Operations

c] Closed Market Operation   d] None of the above

Ans a] Open Market Operations

II **Fill in the blanks . (Ecah carries one mark)**

1) Economic exchanges without the use of money are referred to as **Barter System.**

2) **RBI** is the only institution which can issues currency in India.

3) **Government of India** issues coins in INdia.

4) M_1 and M_2 are known as **Narrow money**.

III **Match the following (each question carries one mark)**

1)   **A**   **B**

1) SLR   a] Government of India

2) Circulation of coin   b] Statutory Liquidity ratio

3) Money   c] Broad Money

4) M_3 and M_4 d] Repo

5) Repurchase agreement   e] Medium of Exchange

Ans 1-b, 2-a, 3-e, 4-c, 5-d

IV **Answer the following questions in a sentence or a word.**
(Each question carries 1 mark).

1) What do you mean by barter system ?

Ans The economic exchanges without the mediation of money is called Barter system.

2) Give the meaning of Money.

Ans Anything that is commonly accepted as a medium of exchange for goods and services and also acts as a measure of value is called Money.

3) What is Fiat Money?

Ans Money with no intrinsic value is called Fiat money.

4) Write the meaning of High Powered Money.

Ans The currency issued by the central bank can be held by the public or by the commercial bank is called high powered money.

5) Expand CRR.

Ans Cash Reserve Ratio.

6) What is Bank rate ?

Ans Bank rate is the rate at which the RBI gives loans to the Commercial Banks .

V **Answer the following questions in about four sentences .**
(each question carries 2 marks)

1) Mention any two functions of money.

Ans The two functions of money are 1) Medium of exchange 2) Measure of value

2) Give the meaning of CRR and SLR.

Ans A certain portion of total deposits of a commercial bank which it has to keep with the RBI in the form of cash reserve if called CRR. A certain portion of total deposits of a commercial bank which it has to keep with itself in the form of cash reserve is called SLR.

3) State the credit control instruments of RBI.

Ans There are two instruments of RBI to control credit
1) Quantitative techniques-
a] Bank rate   b] Open Market operations c] Reserve ratios (CRR and SLR)
2) Qualitative techniques
a] Margim requirements   b] Credit rationing   c] Moral suasion

4) Mention the two motives of demand for money.

Ans a] The transaction motive   b] The speculative motive

VI **Answer the following questions in 12 sentences.**
(each question carries 4 marks)

1) "Money acts as a convenient unit of account". Explain this system with the example .

Ans Money also acts as a convenient unit of account. The value of all goods and services can be expressed in monetary units. When we say that the value of a certain wristwatch is Rs 500, we mean that the Wristwatch can be exchanged for 500 units of money, where a unit of money is rupee in this case. If the price of a pencils Rs 2 and that of a pen is Rs. 10, we can calculate the relative price of a pen with respect to a pencil, viz, a pen is worth 10÷2=5 pencils. The same notion can be used to calculate the value of money itself with respect to other commodities . In the above example a rupee is worth 1÷2 = 0.5 pencil or 1÷10 = 0.1 pen. Thus if prices of all commodities increase in the price in the terms of moneyl,the value of money

in terms of any commodity must have decreased in the sense that a unit of money can now purchase less of any commodity. We call it a deterioration in the purchasing power of money.

2) Briefly explain the functions of RBI.

Ans RBI is the supreme and also central Bank of India. It was established in April 1935. Today the RBI plays an important role in the development strategies of the governmen of India. The functions of RBI are as follows

a] Printing and issuing currency notes - It has complete authority of printing and issuing currency notes in the country. RBI issue all denominations of currency notes (Rs 2, 10, 20, 50, 100, 200, 500 and Rs 2000) except one rupee note . Which is issued by Finance ministry. Government of India . The minimum reserve system of note issue was followed by RBI after 1956.

b] Controller of Credit - The credit provided by all commercial banks is controlled by RBI. RBI implements both Quantitative and qualitative techniques to control the credit generated by commercial banks . The quantitative measures to control credit are bank rate policy, Open market operations , Cash reserve ratio Etc.

3) Controls Money Market- RBI is the leader of Money market. All the activities and complements of money market like commercial banks and financial institutions are controlled and directed by RBI.

4) Lender of Last resort- RBI provides financial assistance to commercial banks like giving credit discounting bills, giving advances etc. during their financial crisis and helps the banks as a lender of last resort.

3) Write a note on Legal definition of Money.

Ans The total stock of money in circulation among the public at a particular point of time is called Money Supply. The legal definitions of money are defined as follows.

M_1= CU+ DD (CU currency notes held by the public , DD is net demand deposits of the public held by the banks)

M_2= M_1 + Savings deposits with post office savings banks .

M_3= M_1+ Net time deposits of Commercial banks

M_4= M_3 + Total deposits with post office savings organisation .

M_1 and M_3 are narrow money. M_3 and M_4 are broad money

4) Write the meaning of transaction Motive and speculative motive of demand for money.

Ans Transaction Motive- Transaction motive demand for money refers to holding money to carry out transactions. If we receive our income weekly and make payments on the first day of every week. We need not hold any cash balance through out the rest of the week. But our expenditure patterns do not normally match our receipts. People earn incoms at discrete points in time and spend it continuously throughout the interval.

The transaction demand for money is represented as follows. M^dT= K.T.

Where T is the total value of transactions in the economy over unit period and K is a position fraction.

Speculative motive - Some people hold cash to invest on shares, debentures , gold immovable properties etc. The speculative demand for money refers to the demand for money that people hold as idle cash to speculative with the aim of earning capital , gains and profits . The speculative demand for money can be written as follows

r = Rate of interest   r max= Maximum rate of interest

r min = Mimimum rate of interest.

$$M^d s= \frac{r\ max\ -r}{r-\ r\ min}$$

$$MD= M^d T+ M^d S$$

VII   **Answer the following questions in 20 sentences ;**

1)   Explain the functions of Money and how does money overcome the short comings of Barter system .

Ans   Anything that is commonly accepted as a medium of exchange for goods and services and also acts as a measure of value is called money. The functions of money are as follows.

1) Medium of exchange - The fundamental functions of money is to serves as a medium of exchange . It facilitates exchange of goods for money. It has solved the problems of barter system. Money has become a circulating material between buyers and sellers.

2) Measure of value - The Money acts as a common measure of value. The value of all goods and services measures and expressed in terms of the money. It facilitates the maintenance of accounts and it makes goods and services comparable in terms of price .

3) Store of Value - Money is used as a store of value. People can save part of their present income and hold the same for future . Money solves one of the deficiencies of barter system that is difficult to carry forward one's wealth under the barter system .

4) Standard of deferred payments - All the credit transactions are expressed in terms of money. The payment can be delayed or postponed. So money can be used for delayed settlement of dues or financial commitments.

5) Transfer of Value - Money acts as a transfer of value from person to person and from place to place . As a transfer of value , money helps us to buy goods , properties or anything from any part of the country or the world. Further money earned in different places can be brought or transferred to anywhere in the world.

6) Provides Liquidity and Uniformity

Money provides liquidity to all kinds of assests both movable and immovable . Money can be converted into any type of assets and all assets can be converted into money.

2) Write the story of Goldsmith Lala on the process of deposit and loan (credit) creation by commercial banks.

Ans Once there was a Goldsmith named Lala in a village . In this village , people used gold and other precious metals in order to buy goods and services . These metals were acting as money people in the village started keeping their gold with Lala for safe keeping. In return for keeping their gold, Lala issued paper receipts to people of the village and charged a small fee from them . Slowly overtime , the paper receipts issued by Lala began to circulate as money. This means that instead of giving gold for purchasingwheat, some would pay for wheat or shoes or any other good by giving paper receipts issued by Lala.Thus the paper receipts started acting as money since everyone in the village accepted these as a medium of exchange .

Let us imagine that Lala had 100kgs of gold deposited by different people and he had issued receipts corresponding to 100kgs of gold. At this time Ramu comes to Lala and asks for a loan of 25 kgs of gold.Now Lala can decide that everyone with gold deposits will not come to withdraw their deposits at the same time and so he may as well give the loan to Mr. Ramu and charge him for it. If Lalagives the loan of 25 kgs of gold, Ramu could also pay Mr. Ali 25 kgs of gold and Ali could keep the 25kgs of gold with Lala in returns for a paper receipt. In effect , the paper receipts acting as money, would have increased to 125 kgs now, It seems that Lala has created money out of thin air. The modern banking system works precisely the way Lala behaves in this example.

VIII Assignmentand Project Oriented questions .

1) Write a note on Demonetisation.

Ans The withdrawal of a coin, note or precious metal from use are legal tender is called demonetisation.

Steps taken by the government for Demonetisation .- Old currency note of Rs 500 and Rs 1000 were no longer legal tender. New currency notes in the demonetisation of Rs 500 and Rs 200 were launched.

The public were advised to deposite old currency notes in their bank account till 31-12-2016, without any declaration and upto 31-3-2017 with the RBI declaration Further to avoid a complete breakdown and scarcity of cash government allowed exchanged of Rs 4000 old currency notes with new currency restricting to a person per day.

Appreciation of Demonetisation - It improved tax compliance as a large number of people were bought in the tax ambit.

The savings of individual were channelized into the formal financial system .

Demonetization helps in curbing blank money, reducing tax evasion and corruption will decrease

Criticism of Demonetisation -

There were long queues outside banks and ATM centres.

There was acute shortage of currency notes and had adverse effect on Economic activities.

****

MACRO ECONOMICS
CHAPTER 4
DETERMINATION OF INCOME AND EMPLOYMENT

I   **Choose the correct answer. Each question carries one mark)**

1)   **Consumption which is independent of income is called**
        a] Induced consumption   b] Autonommous consumption
        c] Waterful consumption   d] part consumption
        Ans- Autonomous consumption .

2)   Value of MPC lies between
        a] 1and 2 b] 0 and 1 c] 2 and 4 d] 0 and 0.5
Ans   b] 0 and 1

3)   Easy availability of credit encourages
        a] savings   b] Investment   c] rate of interest   d] None of the above
Ans   b] Investment

II   **Fill in the blanks . (Ecah carries one mark)**

1)   Savings is that part of income that is **not consumed.**

2)   **Investment** is defined as addition to the stock of physical capital .

III   **Match the following .**

                A   B
        1) Savings   a] Intermediate goods
        2) Raw material   b] Leads to rise in the prices in the long run .
        3) Excess Demand   c] Y -C
Ans   1-c, 2-a, 3-b

IV   **Answer the following questions in a sentence or a word .**
        (each question carries one mark)

1)   Write the meaning of autonomous consumption .
Ans   The consumption which is independent of income is called as autonomous
        consumption

2)   Write the formula of MPC
Ans   MPC $\frac{\Delta C}{\Delta Y}$ = C

V   **Answer the following questions in four sentences**
        (each question carries 2 marks)

1)   If the equilibrium level of output is more than the full employment level, it is due to
        the fact that the demand is more than the level of output produced at full
        employment levels. This situation is called excess demand .

              If the equilibrium level of output is less than the full employment of output, it
        is due to fact that demand is not enough to employ all factors of production. This
        situation is called deficient demand.

2)	Give the meaning of investment multiplier. Write its formula.

Ans	Investment multiplier is the ratio of the total increment in equilibrium value of final goods output to the initial increment in autonomous expenditure. Its formula is investment Multiplier.

3)	Give the meaning of paradox of thrift.

Ans	If all the people of the economy increase the proportion of income they save, total value of savings in the economy will not increase it will either decrease or remain unchanged. This result is known as the paradox of Thrift.

**VI	Answer the following questions in 12 sentences.**
(each question carries 4 marks)

1)	Briefly explain Consumption function.

Ans	The functional relationship between consumption and income is called consumption function.

The simplest consumption function assumes that the consumption changes at a constant rate as income changes. Of course, even if income is zero, some consumption still take place. Since this level of consumption is independent of income, it is called autonomous consumption. We can describe this function as $C = C + cY$ Here C is the consumption expenditure by households, C is autonomous consumption and cY is Induced consumption.

The consumption which is independent of income is called as autonomous consumption.

The consumption which is dependent on income is called as induced consumption.

The relationship between consumption and income can be explain by MPC and APC

MPC (Marginal propensity to consume)

It is the change in consumption per unit change in income. Its formula is

$$MPC = \frac{\Delta C}{\Delta Y} = C$$

APC(Average propensity to consume)

It is the ratio between total consumption expenditure and total income at given level of income. Its formula is APC $= \dfrac{C}{Y}$

2)	Explain the investment function with the help of graph.

Ans	The relationship between investment and autonomous investment is called investment function.

In a two sector model, there are two sources of final demand. The first is consumption and the second is investment. The investment function was shown as

$$I = \bar{I}$$

Graphically, this is shown as a horizantal line at a height equal to $\bar{I}$ above the horizantal axis

In this model, I is autonomous which mean , it is the same no matter whatever is the level of income .
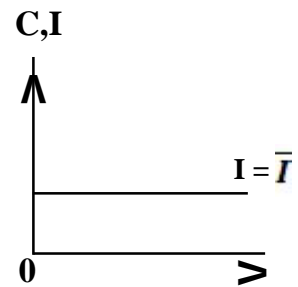
C,I

$I = \bar{I}$

0

VII **Answer the following questions in 20 sentences .**
(each question carries six marks)

1) Explain the multiplier mechanism .

Ans Investment multiplier is the ratio of the total increment in equilibrium value of final goods output to the initial increment in autonomous expenditure . It can be explain by multiplier mechanism.

The total value of the final gfoods output is distributed among different factors of production, rent to land , wages to labour, interest to capital etc. Thus the sum of aggregate factor payments ie , National Income , is equal to the aggregate value of the output of final goods .

Example - If the value of the extra output 10 is distributedamong various factors of production, the income of the economy also goes by 10. When income increases by 10, consumption expenditure goes up by 10, since people spend 0.8 fraction of their additional income on consumption. Hence in the next round , aggregate deamand in the economy goes up by (0.8) 10 and there again emerges an excess demand equal to 10 so on .

It can be calculate by this manner.

Increase Income = = 10 + (0.8) 10+ (0.8)²10+(0.8)³..........∞

Increase Income = 10 + {1+ (0.8) + (0.8)² + (0.8) ³...... ∞}

Increase income $\Delta Y = \frac{\Delta \bar{A}}{1-c} = \frac{10}{1-0.8} = 50$

Investment multiplier $= \frac{\Delta Y}{\Delta A} = \frac{1}{1-c} = \frac{1}{S}$

∗∗∗∗∗∗∗∗∗∗

ಸುಲಲಿತ

ದ್ವಿತೀಯ ಪಿಯುಸಿ ವಾರ್ಷಿಕ ಪರೀಕ್ಷೆಗೆ
ಸರಳ ಅಭ್ಯಾಸ ಕೈಪಿಡಿ

ECONOMICS

WORK BOOK

PASSING PACKAGE
PART -A
MICRO ECONOMICS
CHAPTER -1
INTRODUCTION

I   **Choose the correct answer. Each question carries one mark.**

1)   The scarce resources of an economy have

        a]Competing usages   b] Single usages

        c] Unlimited usages   d] None of the above

Ans

2)   Which of the follwing is an example of micro economic study?

        a] National Income   b] Consumer Behaviour

        c] Unemployment   d] Foreign trade

Ans

3)   Which of the following is a Macro economic variable?

        a] Individual demand   b] Aggregate demand

        c] Firms output   d] Price of a good

Ans

4)   Central problems of an economy includes....

        a] What to produce   b] How to produce

        c] For whom to produce   d] All of the above

Ans

5)   Traditionally, the subject matter of economics has been studied under the following broad branches.

        a] Micro and Macro Economics   b]Positive and Normative

        c] Deductive and Inductive   d] None of the above

Ans

II   **Fill in the blanks. (each questions carries one marks)**

1)   Scarcity of resources gives raise to _____

Ans

2)   In a centrally economy all important decisions are made by _____

Ans

3)   In reality all economics are_____

Ans

III   **Match the following (each question carries 1 mark)**

        1) Market economy   a] Government

        2) Service of a Teacher   b] Private

        3) Centrally Planned economy   c] Skill

        4) Positive economics   d] Evaluate the mechanism

        5) Normative Economics   e] Functioning of Mechanism

Ans

IV   **Answer the following questions in a sentence or a word**
        (each question carries one mark)

1)   Why does the problem of choice arises?

Ans

2)   What is Market Economy?

Ans

3)   What do you mean by centrally planned economy?

Ans

4)   Give the meaning of Micro Economics .

Ans

5)   What do you mean by positive economics ?

Ans

6)   What is Normative Economics ?

Ans

V   **Answer the following in four sentences .(Each question carries 2 marks)**

1)   Mention the central problems of an economy.

Ans

2)   Distinguish between Micro and Macro Economics .

Ans

3)   Distinguish between Positive and Normative economics .

Ans

PART -A
MICRO   ECONOMICS
CHAPTER -1
INTRODUCTION

I   Choose the correct answer. Each question carries one mark.

1)   The equation of budget line is

a] $P_X+P_1X_1=M$ b] $M=P_0X_0 + P_X$

c] $P_1X_1+ P_2X_2=M$ d] $Y= Mx+C$

Ans

2)   The demand for these goods increases as income increases.

a] Inferior goods   b] Gliffen goods

c] Normal goods   d] None of the above

Ans

3)   A Vertical demand curve is

a] Perfectly elastic   b] Unitary elastic

c] Perfectly inelastic   d] None of the above

Ans

II   Fill in the blanks (Each question carries one mark.)

1)   Wants satisfying capacity of commodity is

2)   Two indifference curves never   each other.

3)   As income increases , the demand curve for normal goods shifts towards

4)   The demand for a good moves in the _____ direction of its price .

III   Match the following (each question carries one mark)

1) Demand Curve   Down wordslopping

2) Linear DEmand curve $d(P)= a-bp$

3) Unitary elasticity curve $|ed| =1$

4) Complementary goods   Pen and ink

5) Indifference map   A family of Indifference

IV   Answer the following questions in a sentence or a word
(each question carries one mark)

1)   What is a budget line ?

Ans

2)   What do you mean Cardinal utility analysis?

Ans

3)   Give the meaning of Marginal Utility.

Ans

4)   What is Utility?

Ans

5)   Expand MRS.

Ans

6)   What do you mean by indifference curve?

Ans

6)   What is Demand?

Ans

V   Answer the following in four sentences .(Each question carries 2 marks)

1)   What is MRS?

Ans

2)   What are the differences between budget line and budgetset?

Ans

3)   What do you mean by inferior goods? Give example .

Ans

4)   What is monotonic preference ?

Ans

5) State the law of Demand.

Ans

6) Mention two different approaches which explain consumer behaviour.

Ans

7) What do you mean price elasicity of demand?

Ans

VI **Answer the following questions in about 12 sentences each**
(each question carries 4 marks)

1) Write the differences between total utility and marginal utility.

Ans

2) Briefly explain the budget set with the help of a diagram .

Ans

\

3)   Explain the indifference map with the diagram .
Ans

4)   Write the differences between Substitutes goods and Complementary goods.

              <u>Substitute good</u>   <u>Complementary goods</u>

5)   Explain the differences between Normal and Inferior goods with examples.

              <u>Normal Goods</u>   <u>Inferior Goods</u>

VII   **Answer the following questions in about 20 sentences each.**
      (Each question carries six marks)

1)   Explain law of diminishing marginal utility with the help of a table and diangram .

Ans

2)   Explain the features of Indifference curves with the help of diagram .
Ans

a] Indifference curves slopes downwards from left to right

b] Higher indifference curves gives greater level of utility.

C]Two indifference curves never intersect each other-

3) Explain the optimal choice of consumer with the help of diagram.

Ans

Assignment and Project Oriented questions . (5 mark seach).

1) A consumer wants to consume two goods . The price of bananas is Rs 5 and price of mangoes is Rs 10. If the income of the consumer is Rs 40, Answer the following questions .

a] How many mangoes that a consumer can purchase with his entire income ?

b] How many mangoes that a consumer can purchase with his entire income ?

c] Slope of the budget line is downward or upward?

d] Are the bundles on the budget line equal to the consumer's income or not ?

e] If you want to have more of Bananas you have to give up Mangoes. Is it true?

Ans

CHAPTER -3
PRODUCTION AND COSTS

I   **Choose the correct answer. Each question carries one mark.**

1)   The formula of production function is

a] q= f(L, K)   b] q= d   c] Y= f(x)   d] None of the above

Ans

2)   In the short run a firm

a] can change all the inputs   b] cannot vary all the inputs

c] can keep the input fixed   d] None of the above

Ans

3)   The change in output per unit of change in the input is called

a] Marginal product   b] Average product

c]Total product   d] product

Ans

4)   Cabb-Daglas production function is

a] q= (X, X)   b] (X_1, X_2)

c] q= (X^{α}_1 x X^{β}_2)   d] q = (10)

Ans

5)   TC=

a] TVC   b] TFC   c] TFC + TVC   d] AC + MC

Ans

II   **Fill in the blanks (Each question carries one mark).**

1)   In the long run inputs are **............**

2)   **................**is defined as output per unit of variable input.

3)   Marginal product and Average product curves are **...................** in shape.

4)   SMC curve cuts, AVC curve at the **..................** points of AVC curve from below.

5)   **................**is the set of all possible combination of the two inputs, that yield the same maximum possibel level of output.

III Match the following (Each question carries one mark)

A	B
1) CRS	a] $\Delta TC/\Delta Q$
2) SAC	b] Long run average cost
3) LRAC	c] Short run average costs
4)TFC + TVC	d] Constant return to scale .
5) SMC	e] TC

Ans

IV   **Answer the following questions in a word , a sentence each**
        (Each question carries 1 mark).

1)   What do you mean by Total product?

Ans

2)   What is Average Product?

Ans

3)   Give the meaning of Marginal Product.

Ans

4)   What is Total Fixed cost?

Ans

5)   What is Average Fixed cost?

Ans

V   Answer the following questions in four sentences . (2 marks)

1)   What is Isoquants?

Ans

2)   Give the meaning of the concepts shortrun and long run .

Ans

3)   Mention the types of Return to scale .

Ans

4)   What are the Long run costs?

Ans

5)   Name the short run costs.

Ans

VI   Answer the following questions in 12 sentences.
     (each question carries 4 marks)

1)   Explain Isoquants with the help of a diagram .

Ans

2) Explain the Total product, Average product and Marginbal Product with the examples.

Ans

3) Write a brief note on Returns to scale .

Ans

4) Explain the Long run costs.

Ans

5) The following table gives the total product (TP$_L$) find the corresponding AP$_L$ and MP$_L$.

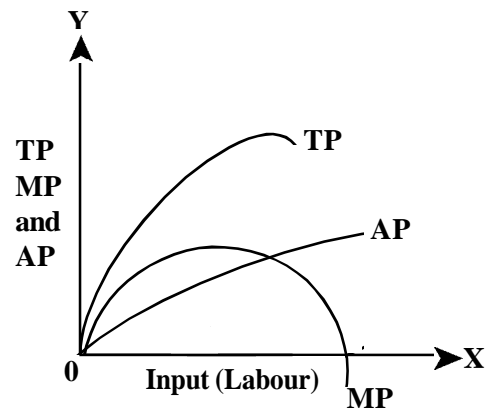| TP$_L$	0	15	35	50	40	48
L	0	1	2	3	4	5

Ans

VII Answer the following questions in 20 sentences. (each questions carries 6 marks)

1) Explain the various short run costs. $\dfrac{TP_L}{L}$

Ans

2)	Explain the law of variable proportions with the help of diagram.	 ——
	This law operates in short run period . According to this law, a producer can enhance

Ans

VIII   Assignment and project oriented questions .

Find the missing products in the following table.

Factor	TP	MP	AP
0	0	0	0
1	10	10	10
2	24	14	12
3	40	16	13.33
4	50	10	12.5
5	56	6	11.2
6	57	1	9.5

CHAPTER -4

THE THEORY OF FIRM UNDER PERFECT COMPETITION

I   Choose the correct answer. Each question carries one mark.

1)   In a Perfect competition each firm produces and sells.

        b]

2)   The increase in total revenue for a unit increase in out put is

        a]

3)   The firm's profit is denoted by

        d]

4)   When the supply curve is verticle the elasticity of supply is

        c]

5)   The revenue per unit of output of a firm is called as

        c]

II   Fill in the blanks. (each questions carries one marks)

1)   Price taking behaviour is the single most distinguished characteristics of ———————————

2)   ——————— is a tax that the government imposes per unit sale of output

3)   For a price taking firn Marginal Revenue is equal to ———————

4)   The point of minimum AVC where the SMC curves cuts the AVC curves is called ————————

5)   ——————— cost of some electricity is the gain forgone from the second best
        activity.

III   Match the following (each question carry one mark)

1)   **A**   **B**

        1) MR= $\Delta TC / \Delta Q$

        2) π TR - TC

        3) AR $\dfrac{TR}{q}$

        4) Normal profit   Zero point
        5) Perfect Competition   Perfect Information

IV   Answer the following questions in a sentence or a word.
        (Each question carries 1 mark).

1)   Define Marginal Revenue.
Ans

2)   To which side does supply curve shifts due to technological progress?
Ans

3)   Write   the formual to calculate average revenue
Ans

4)   What is Normal Profit?
Ans

5)   Give the meaning of Super Normal Profit .
Ans

V   Answer the following questions in about four sentences .
      (each question carries 2 marks)

1)   Mention the conditions needed for profit by a firm under Perfect Competition
      conditions .
Ans

2)   Give the meaning of Shut down point.
Ans

3) Write the meaning of opportunity cost with an example.
Ans

4) Mention the two determinants of firms supply curve .
Ans

5) Give the meaning of price elasticity of supply and write its formula.
Ans

VI **Answer the following questions in about 12 sentences each**
(each question carries 4 marks)

1) Write a short note on profit maximisation of a firm under the following
conditions , 1) P=MC   2) MC must be non decreasing at 90?
Ans

2) Explain the determinants of a firms supply curve .
Ans

3) Explain the features of Perfect Competition.
Ans

4) Write about shut down point. Normal profit and Break even point.
Ans

**VII   Answer the following questions in about 20 sentences each.
(Each question carries six marks)**

1)   Explain the short run supply curve of a firm with the help of a diagram .

Ans

2)   Explain the Total revenue and Average revenue of a firm under perfect competition
         with the help of diagram .

Ans

3) Explain Market supply curve with the help of a diagram.

Ans

4) **Assignment and Project Oriented question. Each question carries 5 marks.**
Compute the total revenue , Marginal revenue and average revenue schedules in the following table when the market price of each unit of goods is Rs 10.

Quantity sold	TR	MR	AR
0			
1			
2			
3			
4			
5			
6			

Ans

PART-B
MACRO ECONOMICS
CHAPTER -1
INTRODUCTION

I **Choose the correct answer. Each question carries one mark.**

1) The individuals or institutions which take economic decisions are_____

   a]Economic variables   b] Economic Agents

   c] Economists   d] None of the above

   Ans

2) In 1936 British economist J.M. Keynes published his celebrated book

   a] Wealth of Nations   b] Theory of Interest

   c] General theory of employment. interest and Money.

   d] Theory of Employment

   Ans

3) All the labourers who are ready to work will find employment and all the factories will be working at their full capacity, this school of thought is known as

   a] Modern thought   b] Classical thought

   c] Contemporary thought   d] None of these

   Ans

4) The year of Great Depression

   a] 1920   b] 1889   c] 1929   d] 2018

Ans

5)	In a capitalist country production activities are mainly carried out by
	a] Private enterprises		b] Planning authority
	c] Government authority		d] None of the above

Ans

**II	Fill in the blanks. (each questions carries one marks)**
1)	Macro economics tries to address situation facing the economy —————
2)	A part of the revenue is paid out as —————for the service rendered by land.
3)	The domestic country may sell goods to the rest of the world.
	These are called—————
4)	—————————— will be called as firms .
5)	————————————policies are pursued by the state itself or statutory bodies like RBI
	SEBI etc.

**IV	Answer the following questions in a sentence or a word**
	(each question carries one mark)
1)	Who are Economic agents?
Ans

	decisions. They can be consumers, producers, government Corporation Banks etc.
2)	What does classical school of thought say?
Ans

3)	Give the meaning of imports.
Ans
4)	Name the well known work of Adam Smith.
Ans
5)	What do you mean by wage rate?
Ans

**IV	Answer the following questions in four sentences .**
	(each question carries 2 marks)
1)	What are the features of capitalistic economy?
Ans

2)	Name and write the meaning of two kinds of trade in external sector.
Ans

3)   Who are the macro economic decision makers?

Ans

4)   Mention factors of production

Ans

PART-B
MACRO   ECONOMICS
CHAPTER -2
NATIONAL INCOME ACCOUNTING

I   Choose the correct answer. Each question carries one mark.

1)   The study of National Income is related to _____
        a]Micro Economics   b] Macro Economics
        c]Both Micro and Macro   d] None of the above

Ans

2)   NNP=GNP-
        a]Deduction   b] Depreciation   c] Investment   d] None of the above

Ans

3)   The value of GDP at the current prevailing prices is
        a] Real GDP   b] GDP at factor cost   c] Nominal GDP   d] NDP

Ans

4)   Measuring the sum total of all factor payments will be called
        a] Product method   b] Expenditure method
        c] Income method   d] None of the above

Ans

II   Fill in the blanks. (each questions carries one marks)

1)   —————goods will not pass through any more stages of production.
2)   —————is an annual allowance for wear and tear of a capital good.
3)   Pollution is an example for———— externalities .
4)   The net contribution made by a firm is called its —————
5)   A part of revenue is paid out as ————— for the service rendered by land .

III   Match the following.(each question carries one mark)

	A	B
1)	Labour	a] Non-Monetary exchange
2)	GDP	b]Personal disposable income
3)	PDI	c]Stock variable
4)	Domestic service	d]Gross Domestic Income
5)	Inventary	e] Wages

Ans

IV   Answer the following questions in a sentence or word.
(each question carries 1 mark)

1)   What do you mean by final goods?

Ans

2)   Expand CPI

Ans

3)   Expand GNP$_{MP}$

Ans

4)   Give the meaning of GDP.

Ans

5)   What is Depreciation?

Ans

6)   How do we get personal disposable income ?

Ans

V   Answer the following questions in four sentences (each question carries 2marks)

1)   What are the four factors of production? Mention their rewards.

Ans

2)   Distinguish between stock and flow. Give example .

Ans

3)   What is the difference between Consumer goods and Capital goods ?
                Consumer Goods   Capital Goods

4)   Mention three methods of measuring GDP. (National Income).

Ans

5) What do you mean by Externalities? Mention its two types .
Ans

6) Write the difference between Nominal and Real GDP.
Ans

VI **Answer the following questions in 12 sentences.**
(each question carries 4 marks)
1) The circular flow of Income of an economy can be explained with the help of following Assumption.

2)   Write a note on Externalities .
Ans

3)   Explain the examples of Planned accumulation and deccumulation of inventories .
Ans

VII   Answer the following questions in 20 sentences :
        (Each question carries six marks)
1)   Explain the Macro Economic identities .
Ans

2)   Explain a numerical example to show that all the three methods of estimating GDP gives us the same answer.

Ans

CHAPTER -3
MONEY AND BANKING

I   Choose the correct answer. Each question carries one mark.

1)   The main functions of money is _____
      a] Savings   b] Medium of exchange   c] Expenditure   d] Investment
Ans

2)   The bank which acts as monetary authority of India
      a] RBI   b] NABARD   c]RRB   d] IDBI
Ans

3)   The banks which are a part of the money creating system of the economy are___
      a] Bankers   b] Commercial Banks   c] RBI   d] None of the above
Ans

4)   The rate at which the RBI lends money to commercial banks against securities____
      a]Bank rate   b] Reporate   c] Reverse Reporate   d] None of the above
Ans

5)   The important tool by which RBI influences money supply is ___
      a] Open Market Operations   b] Money Operations

c] Closed Market Operation   d] None of the above

Ans

II   Fill in the blanks . (Ecah carries one mark)
1)   Economic exchanges without the use of money are referred to as ——————————
2)   ——————is the only institution which can issues currency in India.
3)   —————————————— issues coins in INdia.
4) M_1 and M_2 are known as —————————————

III   Match the following (each question carries one mark)
1)   **A**   **B**
      1) SLR   a] Government of India
      2) Circulation of coin   b] Statutory Liquidity ratio
      3) Money   c] Broad Money
      4) M_3 and M_4 d] Repo
      5) Repurchase agreement   e] Medium of Exchange

Ans

**IV   Answer the following questions in a sentence or a word.
(Each question carries 1 mark).**
1)   What do you mean by barter system ?
Ans
2)   Give the meaning of Money.
Ans

3)   What is Fiat Money?
Ans
4)   Write the meaning of High Powered Money.
Ans

5)   Expand CRR.
Ans
6)   What is Bank rate ?
Ans

**V   Answer the following questions in about four sentences .
(each question carries 2 marks)**
1)   Mention any two functions of money.
Ans
2)   Give the meaning of CRR and SLR.
Ans

3)   State the credit control instruments of RBI.
Ans

4)   Mention the two motives of demand for money.

Ans

VI   Answer the following questions in 12 sentences.
      (each question carries 4 marks)

1)   "Money acts as a convenient unit of account". Explain this system with the
      example .

Ans

2)   Briefly explain the functions of RBI.

Ans

3)   Write a note on Legal definition of Money.

Ans

4)   Write the meaning of transaction Motive and speculative motive of demand for
      money and liquidity trap.

Ans

VII   Answer the following questions in 20 sentences ;
1)   Explain the functions of Money and how does money overcome the short comings
      of Barter system .

Ans

2)   Write the story of Goldsmith Lala on the process of deposit and loan (credit) creation
        by commercial banks.
Ans

VII   Assignmentand Project Oriented questions .
1)   Write a note on Demonetisation.

Ans

PART-B
MACRO ECONOMICS
CHAPTER 4
DETERMINATION OF INCOME AND EMPLOYMENT

I   Choose the correct answer. Each question carries one mark)
1)   Consumption which is independent of income is called
         a] Induced consumption   b] Autonommous consumption
         c] Waterful consumption   d] part consumption
         Ans-
2)   Value of MPC lies between
         a] 1and 2   b] 0 and 1   c] 2 and 4   d] 0 and 0.5
Ans
3)   Easy availability of credit encourages
         a] savings   b] Investment   c] rate of interest   d] None of the above
Ans

II   **Fill in the blanks . (Ecah carries one mark)**

1)   Savings is that part of income that is ————

2)   ———— is defined as addition to the stock of physical capital .

III   **Match the following .**

           A   B

    1) Savings   a] Intermediate goods

    2) Raw material   b] Leads to rise in the prices in the long run .

    3) Excess Demand   c] Y -C

Ans

IV   **Answer the following questions in a sentence or a word .**
        (each question carries one mark)

1)   Write the meaning of autonomous consumption .

Ans

2)   Write the formula of MPC

Ans

V   **Answer the following questions in four sentences**
        (each question carries 2 marks)

1)   If the equilibrium level of output is more than the full employment level, it is due to the fact that the demand is more than the level of output produced at full employment levels. This situation is called excess demand .

2)   Give the meaning of investment multiplier. Write its formula.

Ans

3)   Give the meaning of paradox of thrift.

Ans

VI   **Answer the following questions in 12 sentences.**
        (each question carries 4 marks)

1)   Briefly explain Consumption function.

Ans

2) Explain the investment function with the help of graph.

Ans

VII Answer the following questions in 20 sentences .
(each question carries six marks)

1) Explain the multiplier mechanism .

Ans

* * * * *