

ECONOMICS

Maximum Marks: 80

Time Allotted: Three Hours

Reading Time: Additional Fifteen Minutes

Instructions to Candidates

1. You are allowed an **additional fifteen minutes** for **only** reading the question paper.
2. You must **NOT** start writing during reading time.
3. This question paper has **11 printed pages** and **one blank page**.
4. There are **thirteen** questions in the paper. All questions are compulsory.
5. This paper is divided into **three sections: A, B and C**.
6. **Section A** has **sixteen subparts** which are very short answer questions. Each question carries 1 mark.
7. While attempting **Multiple Choice Questions** in Section A, you are required to **write only ONE option as the answer**.
8. **Section B** has **eight questions** which are short answer questions. Each question carries 4 marks.
9. **Section C** has **four questions** which are long answer questions. Each question carries 8 marks.
10. **Internal choices** have been provided in **two questions in Section B** and in **one question in Section C**.
11. The intended marks for questions are given in brackets [].

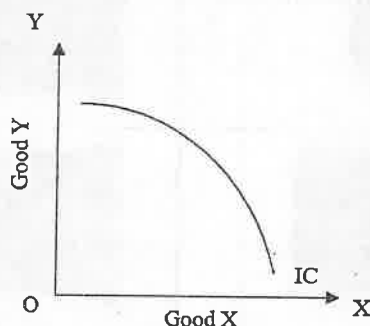
Instruction to Supervising Examiner

1. Kindly read **aloud** the Instructions given on page 1 to all the candidates present in the examination hall.

SECTION A – 16 MARKS

Question 1

(i)



[1]

The indifference curve shown above is unusual because:

- (a) the assumption of transitivity has not been satisfied.
 - (b) the marginal rate of substitution is increasing.
 - (c) the consumer is saturated when she consumes more of Good X.
 - (d) the utility can be measured in quantitative terms.
- (ii) Rashmi is a manufacturer of water bottles. She realises that Stage III of the Law of Variable Proportion has started in the production process when: [1]
- (a) Total Production of bottles falls and Average Production rises.
 - (b) Average Production of bottles begins to fall.
 - (c) Total Production of bottles falls and Average Production of bottles continues to fall.
 - (d) Marginal Production of bottles begins to fall but Average Production rises.
- (iii) Which one of the following can be regarded as Capital Expenditure of the government? [1]
- (a) Salary hike for government officials.
 - (b) A reward of ₹ 1 Cr. by the government to all medal winners at Olympics.
 - (c) An expenditure of ₹ 20 Cr. by the government as interest payment on National debt.
 - (d) An expenditure of ₹ 500 Cr. by the government on construction of *pucca* roads in rural areas.
- (iv) Deficit financing in India means financing the budget deficit by: [1]
- (a) borrowing from the RBI through the issue of new currency.
 - (b) borrowing loans from the market.
 - (c) borrowing funds from commercial banks.
 - (d) borrowing funds from international financial institutions.

- (v) Sandeep sells a mixer grinder at ₹ 8,000. He will accept:

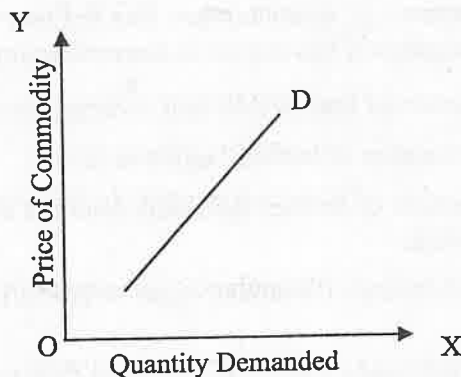
[1]



- (a) currency depicted in Image A as they are limited legal tender.
 (b) currency depicted in Image A as they are unlimited legal tender.
 (c) currency depicted in Image B as they are limited legal tender.
 (d) currency depicted in Image B as they are unlimited legal tender.

(vi)

[1]



Which one of the following situations is represented by the above diagram?

- (a) Ali starts using shampoo 'Silky hair' as the price of shampoo 'Shiny hair' has increased.
 (b) Vedika purchases many dresses of a renowned brand despite the price rise.
 (c) Zeenat purchases a laptop when her income rises.
 (d) Joan purchases two watches as the brand offers a discount on its products.
- (vii) Credit control is an important function of the central bank. This implies:
- (a) change in money supply by issue of new currency.
 (b) only reduction in money supply.
 (c) only expansion in money supply.
 (d) reduction and expansion in money supply.

[1]

- (viii) Given below are two statements marked Assertion and Reason. Read the statements carefully and choose the correct option. [1]

Assertion: Depreciation of Indian currency leads to a rise in exports to Britain.

Reason: Depreciation leads to more purchase of goods from India with the same amount of pounds.

- (a) Both Assertion and Reason are true and Reason is the correct explanation of Assertion.
 - (b) Both Assertion and Reason are true but Reason is not the correct explanation of Assertion.
 - (c) Assertion is true and Reason is false.
 - (d) Both Assertion and Reason are false.
- (ix) Given below are two statements marked Assertion and Reason. Read the statements carefully and choose the correct option. [1]

Assertion: The short run average cost curve is U shaped.

Reason: Laws of Returns to Scale operate in the short run.

- (a) Both Assertion and Reason are true and Reason is the correct explanation of Assertion.
- (b) Both Assertion and Reason are true but Reason is not the correct explanation of Assertion.
- (c) Assertion is true and Reason is false.
- (d) Both Assertion and Reason are false.

- (x) State *any one* difference between Decrease in Supply and Contraction of Supply. [1]

- (xi) The demand for labour in a particular city increases due to an expansion of tourism business. [1]

In this situation, the demand for labour is a derived demand. Justify the statement.

- (xii) Mumtaz was offered a job at a package of ₹ 1 Cr. per annum but she declined it and launched her startup investing ₹ 50 lakhs. [1]

Identify the *accounting cost* and *opportunity cost* in the above situation.

- (xiii) Under perfect competition, marginal revenue is equal to the price of the commodity. [1]

Defend or refute the statement. Give a reason for your answer.

- (xiv) Increase in repo rate and reverse repo rate reduces the credit creating capacity of commercial banks. Do you agree? Give a reason. [1]

- (xv) What is meant by *high powered money*? [1]

- (xvi) Milk has been a major item of export by India. But now vegan products are gaining popularity across the globe and replacing the demand for milk. [1]

How does this affect the Balance of Payments of India?

SECTION B – 32 MARKS

Question 2

- (i) In India, young professionals and college students prefer visiting places like Cafe Coffee Day, Starbucks, Costa Coffee etc. This has led to an expansion of coffee culture in India. [2]
Explain how the market demand for coffee will be affected in the above situation. Illustrate the same on a diagram.
- (ii) The price of a commodity decreases by ₹ 5 per unit, due to which its demand increases from 100 units to 150 units. If the price elasticity of demand is 1.5, calculate the original price of the commodity. [2]

Question 3

- (i) Answer the following questions: [2]
- (a) Calculate Marginal Cost from the schedule given below:
- | | | | | | |
|--------|---|----|----|----|----|
| Output | 0 | 1 | 2 | 3 | 4 |
| TVC | 0 | 10 | 13 | 15 | 16 |
- (b) Marginal Cost includes only variable cost. Provide a reason to justify this statement.
- (ii) What will be the impact on equilibrium price when supply changes but the demand is perfectly inelastic? Illustrate it on a diagram. [2]

Question 4

- (i) The equality between Marginal Revenue and Marginal Cost ($MR = MC$) is not enough to ensure equilibrium of a firm. Justify. [2]
- (ii) State *any two* differences between Short run production function and Long run production function. [2]

Question 5

- (i) Some of the leading cement producing firms in India are Ambuja Cement Ltd., Birla Corporation Ltd. and ACC Ltd. The cement sector is characterised by high degree of market concentration and some interdependence among the producers as cement is a relatively homogenous product. [2]
Identify the market form indicated above. Explain *any one* feature of this market form other than the number of sellers.
- (ii) A perfectly competitive firm may or may not continue production at the shut down point. Explain. [2]

OR

- (i) In 1986, 3D Systems Corporation, an American company received the first patent for SLA 3D printer. They enjoyed this patent right for several years: [2]
Which market form did the above product belong to at that time?
Did this market form require to adopt any sales promotion measure?
Give a reason for your answer.
- (ii) A perfectly competitive firm is a price taker while the industry is a price maker. Justify. [2]

Question 6

- (i) Nowadays, people are withdrawing their deposits from commercial banks and investing in pension fund and mutual funds for higher returns. [2]
What is the impact of the above phenomenon on M_3 ? Give a reason.
- (ii) State *any two* factors that limit the process of Credit Creation by the commercial banks. [2]

Question 7

- (i) Fiscal liabilities of the Union Government arise due to borrowings from Internal or External sources...Internal debt accounts for nearly 65 per cent of the total liabilities of the Union Government. [2]

(Source (edited): www.cag.gov.in)

Explain *any two* ways by which the government can redeem the liabilities referred to above.

- (ii) The government incurs expenditure to ensure social justice. Explain. [2]

OR

- (i) The revenue expenditure of the government is ₹ 12,00,000 while its revenue receipts amount to ₹ 7,00,000. [2]

What type of deficit arises here? Explain *any one* implication of this deficit.

- (ii) The new income tax regime in the budget of 2024-25 exempts income up to ₹ 3 lakhs. Income from ₹ 3,00,001 to ₹ 6 lakhs is taxed at a rate of 5%. 10% tax is imposed on income from ₹ 6,00,001 to ₹ 9 lakhs etc. [2]

Identify and explain the type of tax on the basis of the relationship between the rate structure and the tax base. Draw a diagram of this type of tax.

Question 8

- (i) The export of software, business and travel services has grown by 5.2% recently which has helped to bridge the gap caused by the trade deficit. [2]
- (a) Which account of the Balance of Payments is affected by the fact mentioned above? How?
- (b) Differentiate between *autonomous* and *accommodating* transactions in Balance of Payments.
- (ii) Briefly explain *any two* reasons for an adverse Balance of Payments situation. [2]

Question 9

Read the following situations that are interrelated. State if each of these would be a part of national income accounting or not. Give a reason for each situation. [4]

- (i) Sukhjeet won ₹ 6 lakh 40 thousand in a game show.
- (ii) He bought a second-hand car through a broker for ₹ 5 lakhs from the amount won.
- (iii) The broker received 2% of this amount as commission.
- (iv) He invested a certain sum of this money in government bonds.

SECTION C – 32 MARKS

Question 10

- (i) During the festival of Dussehra, the price of bananas increased by 15% but the total expenditure on bananas for a household remained the same. [2]
- What is the nature of elasticity of demand in this situation? Draw a demand curve accordingly.
- (ii) To attain maximum satisfaction, a consumer uses the following schedule. [6]

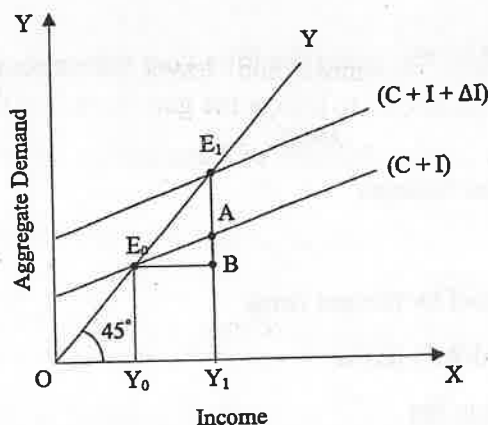
Units	1	2	3	4	5	6	7
TU	15	27	38	45	45	43	40

Determine the equilibrium level of consumption when the price of the commodity is ₹ 11. Explain the phenomenon using a diagram.

Question 11

- (i) A linear consumption function is given as: [2]
- $$C = 500 + 0.7 Y$$
- (a) Identify autonomous consumption expenditure and MPC.
- (b) State the relation between MPC and MPS. Hence, calculate MPS.

- (ii) Refer to the diagram given below and answer the questions that follow.



- Find the investment multiplier in the given diagram. How is it related to Marginal Propensity to Save? [2]
- Explain the *multiplier mechanism* by referring to the diagram given above. [2]
- Briefly explain the following: [2]
 - Involuntary unemployment
 - Induced investment

Question 12

- Discuss the components of a Gross Domestic Capital Formation. How can it be converted into Net Domestic Capital Formation? [4]
- Calculate National Income and NNP_{MP} using the following information. [4]

S.No.	Item	(in ₹ crore)
(a)	Private Final Consumption Expenditure	1500
(b)	Government Final Consumption Expenditure	750
(c)	Factor Income received from abroad	15
(d)	Factor Income paid abroad	8
(e)	Net domestic capital formation	225
(f)	Exports	50
(g)	Consumption of fixed capital	60
(h)	Indirect taxes	100
(i)	Subsidies	25
(j)	Imports	80

OR

- (i) Discuss *any four* precautions to be taken while estimating National Income by Product method. [4]
- (ii) Calculate NDP_{FC} and GDP_{FC} using the following information. [4]

S.No.	Item	(in ₹ crore)
(a)	Wages and Salaries	1200
(b)	Rent	130
(c)	Interest paid by private firms	150
(d)	National debt interest	50
(e)	Corporation tax	70
(f)	Contribution to provident fund by employers	220
(g)	Dividends	150
(h)	Undistributed profits	30
(i)	Net factor income from abroad	(-)10
(j)	Consumption of fixed capital	20

Question 13

The hotel industry in India is a diverse mix of domestic and international establishments. Major market establishments in the Indian hotel industry can be categorised into two main sectors: Organised and Unorganised.

Organised establishments in the Indian hotel industry refer to those businesses that operate under reputed brands, chains, or groups with standardised services and facilities. They adhere to regulatory standards and guidelines. Some of the key groups in this segment are ITC Hotels, Marriott International, Indian Hotels Company Limited (IHCL), Hyatt Hotels Corporation, Radisson Hotel Group and many more.

The unorganised sector comprises smaller and independent establishments. They may vary significantly in terms of service quality, facilities, and adherence to regulations.

(Source (edited): www.ibef.org)

- (i) Which form of market is being referred to in the above passage? Provide a reason in support of your answer. [2]
- (ii) Explain *any two* features of the market form referred to in subpart (i). [2]

- (iii) Compare the nature of demand curve in this market form to *any two* other forms of market. [2]
- (iv) What is *price discrimination*? In which form of market is this observed? [2]