

21002182

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 [].

SEAL

Instruction to Supervising Examiner

1. Kindly read **aloud** the Instructions given on page 1 to all the candidates present in the examination hall.
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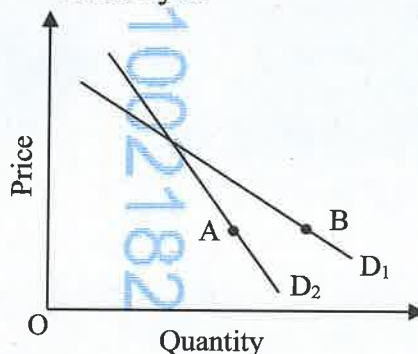
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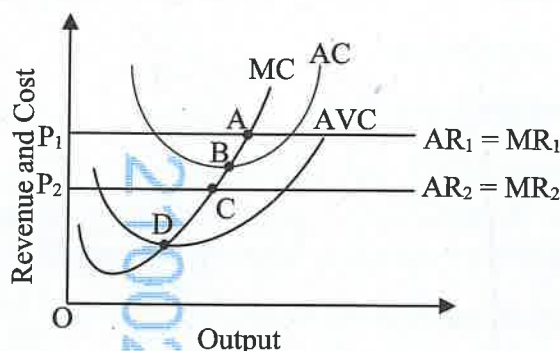
SECTION A – 16 MARKS

Question 1

- (i) Study the demand curves shown in the diagram below and choose the correct option with respect to price elasticity of demand. [1]



- (a) E_p is same at 'A' and 'B'.
 (b) E_p is less at 'B' than at 'A'.
 (c) E_p is greater at 'B' than at 'A'.
 (d) E_p is zero at 'B' and is infinity at 'A'.
- (ii) Sitara derives 5 utils of utility from the consumption of 6th unit of chocolate, whereas she gets 70 utils of utility from consumption of 6 units of chocolate. What is the total utility that she derives from 5 units of chocolate? [1]
- (a) 50
 (b) 55
 (c) 60
 (d) 65
- (iii) Study the diagram given below and choose the correct option with respect to equilibrium of a firm under perfect competition. [1]

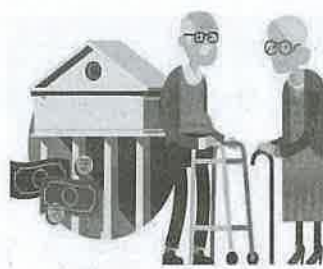


- (a) 'D' shows a situation of loss, as $MC = AVC$.
 (b) 'C' shows a situation of supernormal profit, as $MR = MC$.
 (c) 'B' depicts a situation of normal profit, as $MC = AC$.
 (d) 'A' shows a situation of supernormal profit, as $AR > AC$.

- (iv) Observe the images given below that show different transactions in the economy. [1]



Sale & Purchase of car from showroom
Image 1



Old Age Pension
Image 2

Which one of the following statements is correct about the above shown transactions in estimation of national income?

- (a) Both the transactions will be included.
 - (b) Both the transactions will be excluded.
 - (c) Transaction in Image 1 will be included, while transaction in Image 2 will be excluded.
 - (d) Transaction in Image 1 will be excluded, while transaction in Image 2 will be included.
- (v) In a metropolitan, many cafés sell coffee. While all cafés offer similar products, each café adds something unique to sell its product such as special flavours, creative interior or personalised service. New cafés are opened while some existing ones close due to low profits which is a normal phenomenon. [1]

Identify the market form that exists in the given situation.

- (a) Monopoly
 - (b) Monopsony
 - (c) Perfect competition
 - (d) Monopolistic competition
- (vi) Foreign exchange rate prevailing in India is \$1 = ₹87. [1]

Which one of the following changes in foreign exchange rate by the central monetary authority of India will boost up its exports?

- (a) \$1 = ₹90; devaluation of rupee
- (b) \$1 = ₹84; revaluation of rupee
- (c) \$1 = ₹84; depreciation of rupee
- (d) \$1 = ₹90; appreciation of rupee

(vii) Which one of the following will be a part of Compensation of Employees in the estimation of national income? [1]

- (a) George Ltd. distributes dividends among its shareholders.
- (b) SKS Publisher pays 25% of their sales as royalty to the writers.
- (c) Kanchan's source of income is the rent received by leasing out her land.
- (d) Lal & Co. Ltd. spends a good amount on providing free food to its employees in the canteen.

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

Assertion: In perfect competition, a firm incurring loss must continue its production until it reaches shut down point.

Reason: Firm can cover a portion of fixed cost till price remains greater than Average Variable Cost.

- (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: Gross Domestic Product at market price is a territorial concept.

Reason: Gross Domestic Product includes consumption of fixed capital.

- (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) Purchase of grocery by a housewife is an intermediate good. Defend or refute the statement with a reason. [1]

(xi) Distinguish between *price discrimination* and *product differentiation*. [1]

(xii) Draw a demand curve with unit price elasticity at all points. [1]

- (xiii) Capital receipts are the receipts of the government which reduce liabilities and create assets. Do you agree? Give a reason. [1]
- (xiv) Why is the supply curve of foreign exchange positively sloped? [1]
- (xv) What is *deficit financing*? [1]
- (xvi) Explain how a consumer behaves when the price of a commodity is less than the marginal utility. [1]

SECTION B – 32 MARKS

Question 2

- (i) In 2025 Union Budget, the Government of India reduced the basic custom duty on crude edible oils such as sunflower, soyabean, and palm oil from 20% to 10%. [1]
- (a) Illustrate the effect of change in custom duty on supply of edible oils on a diagram. [1]
- (b) The fall in custom duty on edible oils reduces its price in the market. With the help of a diagram, show the impact of this situation on the demand for the product. [1]
- (ii) Rohan usually buys 10 packets of salted cashew nuts every month. He bought 14 packets of salted cashew nuts this month, when its price reduced to ₹ 80 per unit. [2]
- Find the previous price of salted cashew nuts per unit when its price elasticity was 2.

Question 3

- (i) Calculate Total Variable Cost and Average Fixed Cost from the data given below. [2]

Output (Units)	0	1	2	3	4
TC	30	40	50	55	70

- (ii) Write *any two* differences between *returns to a factor* and *returns to scale*. [2]

OR

- (iii) Calculate Total Variable Cost and Marginal Cost from the data given below. [2]

Output (Units)	1	2	3	4	5
AVC	75	60	50	45	43

- (iv) What is *marginal productivity of labour*? How does it behave under the Law of Increasing Returns to a Factor? [2]

Question 4

- (i) Firm ABC sells a commodity which is homogeneous in nature with the products sold by other firms. It sells the commodity at ₹ 230 per unit and incurs the same cost. [2]
Identify the situation experienced by the firm and show it in a diagram.
- (ii) Which feature of the form of market, referred to in subpart (i), enables a firm to enjoy normal profit in the long run? Discuss in brief. [2]

Question 5

- (i) A new tourist spot became a popular destination in a hill station. There was only one hotel in this area which was set up by a chain of hotels named Cosmic group. The hotel charged a high price for stay. [2]
Explain *any two* features of the market form referred to above which enabled the Cosmic group to charge a high price.
- (ii) Bani Hotels and Zuhu Resorts set up three hotels in the same area as Cosmic group. Cosmic group closely tracked the strategies of the other two groups of hotels before taking any business-related decision. [2]
How did the form of market change here? Substantiate your answer with a reason.

Question 6

- (i) Investment expenditure of a country increases from ₹ 525 million to ₹ 600 million, following an increment in national income by ₹ 200 million. [1]
(a) Draw the curve of the investment expenditure indicated above. [1]
(b) How is this type of investment different from the other type? [2]
- (ii) What is *dissaving*? Identify dissaving and Marginal Propensity to Save (MPS) in the following saving function: [2]

$$S = -237 + 0.6Y$$

Question 7

With the help of a diagram, explain how the equilibrium income in an economy is determined by using Aggregate Demand-Aggregate Supply approach. [4]

Question 8

- (i) 'Apple's iPhone supplier, Foxconn, is positioning India as an alternative manufacturing base and will invest \$ 1.5 billion in Indian unit.' [2]

(Source (edited): www.thehindu.com, May 21 2025)

The investment referred to above is an autonomous transaction in capital account of Balance of Payments. Defend or refute the statement with a reason.

- (ii) Answer the following questions.
- (a) Write *any one* difference between Balance of Trade and Balance of Payments. [1]
- (b) Deficit in Balance of Trade does not necessarily lead to adverse Balance of Payments of a country. Why? [1]

Question 9

- (i) Categorise each of the following into different components of budget of a country. [2]
- (a) Tax on cars will increase by 7% from next financial year.
- (b) Government will make additional expenditure on extension of railway lines to remote places.
- (c) New loan will be raised by the government from World Bank to meet expenditure on development.
- (d) Government will make more expenditure on salaries to implement the recommendation of pay commission.
- (ii) Briefly explain *any two* implications of Fiscal Deficit. [2]

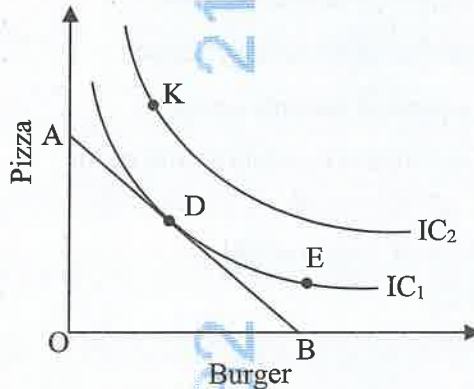
OR

- (iii) Three years ago, a government took four types of loans like '6% saving bond', 'Sovereign Gold bond', 'Capital bond' and 'Infrastructure bond'. [2]
- Identify each of the following debt redemption methods adopted by the government.
- (a) '6% saving bond' is being repaid in equal yearly installments along with its interest.
- (b) New loan has been taken by the government to repay the loan on 'Sovereign Gold bond'.
- (c) Government has created a separate fund to return the 'Capital bond' loan.
- (d) Additional tax has been levied on land property of the high-income group to repay 'Infrastructure bond'.
- (iv) Write *two* differences between Proportional tax and Regressive tax. [2]

SECTION C – 32 MARKS

Question 10

- (i) Explain how price elasticity can be measured at a particular point on a supply curve, if supply of a commodity is relatively elastic. [2]
- (ii) Study the diagram given below and answer the questions that follow.



- (a) At which point does the consumer buy burger only? Give a reason. [2]
- (b) Why would 'K' be preferred to 'D' in absence of budget constraint? [1]
- (c) The consumer maximises her utility at point 'D' but discards point 'E' though it provides the same level of utility. Defend or refute with a reason. [3]

Question 11

- (i) The Central government increased the Dearness Allowance payable to central government employees, with effect from next financial year. [2]

What will be the impact of this change on equilibrium price and quantity of consumer durables? Show it in a diagram.

- (ii) (a) Discuss why Average Cost (AC) curve lies above Average Variable Cost (AVC) curve. [2]
 Draw Marginal Cost (MC) and Average Variable Cost (AVC) curves in a single diagram.
- (b) With the help of a diagram, explain Producer's equilibrium using Total Revenue (TR) - Total Cost (TC) approach. [4]

Question 12

- (i) Explain different types of factor income considered in calculation of national income by using Income method. [4]
- (ii) Calculate GNP_{MP} and National Income from the following data: [4]

S.No.	Particulars	₹ (in crores)
(a)	Net value added of primary sector	1500
(b)	Net value added of secondary sector	1000
(c)	Net value added of tertiary sector	800
(d)	Value of intermediate consumption of all sectors	700
(e)	Consumption of fixed capital	140
(f)	Indirect taxes	50
(g)	Subsidies	20
(h)	Factor income received from abroad	50
(i)	Factor income paid abroad	80

OR

- (iii) Explain *any four* precautions to be considered in the estimation of national income by using Expenditure method. [4]
- (iv) Calculate National Income and GDP_{FC} from the following data: [4]

S.No.	Particulars	₹ (in crores)
(a)	Rent and Interest	2000
(b)	Compensation of employees	750
(c)	Undistributed profit	200
(d)	Net indirect taxes	50
(e)	Corporation tax	55
(f)	Net factor income from abroad	35
(g)	Dividend	100
(h)	Consumption of fixed capital	25
(i)	Mixed income	500

Question 13

Read the passage given below and answer the questions that follow.

The era of high interest rates on Fixed Deposit is about to get over. Fixed deposit investors should prepare themselves for potential reduction in interest rate.

RBI reduced the repo rates by 100 bps till June 2025 from 6.5% to 5.5%. However, the transmission of this reduction has not been complete as far as FD interest rates are concerned.

Therefore, the interest rate reduction on fixed deposit rates is likely to continue for some time even though the central bank has decided to keep the repo rate unchanged.

Retail inflation is one of the primary focus areas of the RBI upon which it decides whether to change the policy rates or not. The retail inflation in India has been falling continuously for last 8 months and has come down to 2.1% in June 2025 which is the lowest level seen in last 12 months. Lower the retail inflation is, RBI is more comfortable in reducing the policy rates.

(Sources (edited): www.economictimes.com, 06 August 2025)

- (i) What does the extract focus on? Briefly explain the meaning of the deposit mentioned in the extract. [2]
- (ii) How is the deposit referred to above different from the other deposits of commercial banks? [2]
- (iii) What is *inflation*? Briefly explain *any one* monetary measure to control inflation. [2]
- (iv) How are different types of deposits of commercial bank related with different measures of money supply? [2]

