

2024

SPECIMEN PAPERS

ECONOMICS

Maximum Marks: 80

Time Allowed: Three Hours

*(Candidates are allowed **additional 15 minutes** for **only** reading the paper.*

*They must **NOT** start writing during this time.)*

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*Answer **all** questions in **Section A, Section B and Section C.***

***Section A** consists of **objective / very short answer** questions.*

***Section B** consists of **short** answer questions.*

***Section C** consists of **long** answer questions.*

The intended marks for questions or parts of questions are given in brackets [ ].

SECTION A – 16 MARKS

Question 1

(i) Refer to the graph given below and determine the behaviour of TU as MU decreases up to the point 'b'. **[1]**

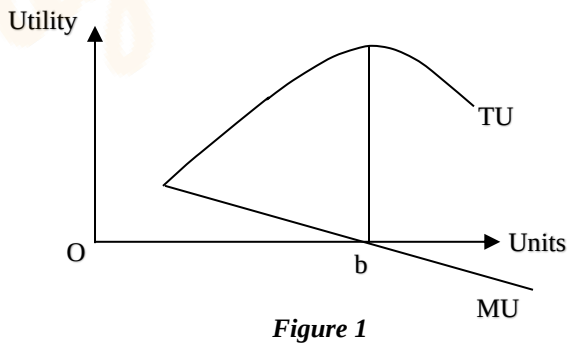


Figure 1

(a) TU increases up to a limit and remains positive.

(b) TU increases at an increasing rate

(c) TU increases at a diminishing rate.

(d) TU is at a point of satiety.

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(ii) GST has been imposed at the rate of 5% both on edible oil and a few spices. In this situation, the supply curve of edible oil will: **[1]**

(a) shift leftward.

(b) shift rightward.

(c) not change its position.

(d) slope downward.

(iii) Identify the good that has a direct price-demand relationship. **[1]**

(a) Giffen Good

(b) Complementary Good

(c) Normal Good

(d) Inferior Good

(iv) How would rational consumers react to a situation when the price of the car remains constant but the price of the petrol increases? **[1]**

(a) They would tend to buy less cars.

(b) They would tend to buy more cars.

(c) They would not react to the situation.

(d) They would wait for the price of petrol to come down.

(v) Which type of tax discourages people from making more money as it can lead to class warfare and individuals hiding income or assets? **[1]**

(a) A small percentage of tax charged on an individual's income.

(b) A fixed percentage of tax charged on an individual's income.

(c) Tax charged at a decreasing rate when income of the individual increases.

(d) Tax charged at an increasing rate when income of the individual increases.

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(vi) Which one of the following best illustrates leakages in the circular flow of income? **[1]**

(a) Investment

(b) Export earning

(c) Savings by households

(d) Government expenditure

(vii) A firm's demand curve shows highest elasticity in: **[1]**

(a) Monopoly market.

(b) Perfectly Competitive market.

(c) Monopolistic competitive market.

(d) Oligopoly market.

(viii) Identify the equilibrium of the firm in the graph given below: **[1]**

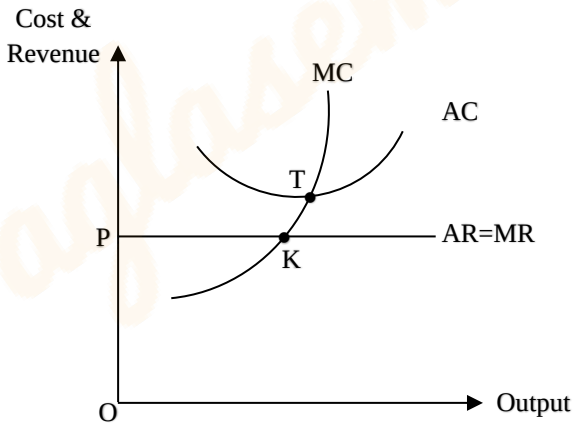


Figure 2

(a) T is the equilibrium point at which firm enjoys supernormal profit.

(b) K is the equilibrium point when firm faces losses.

(c) T is the equilibrium point causing normal profit to the firm.

(d) K indicates equilibrium which reveals zero profit to the producer

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(ix) **Assertion**: Price discrimination is possible only in a monopoly market. **[1]**

Reason: AR curve of a monopoly firm exhibits the market demand for the commodity.

(a) Both Assertion and Reason are true, and Reason is the correct explanation for Assertion.

(b) Both Assertion and Reason are true, but Reason is not the correct explanation for Assertion.

(c) Assertion is true and Reason is false.

(d) Both Assertion and Reason are false.

(x) In an economy, how much additional investment should be generated in the private sector to raise national income by ₹ 450 Cr. while MPC is 0·6? **[1]**

(xi) How does an increase in national income affect the income-elastic investment in the economy? **[1]**

(xii) An economy can have a fiscal deficit without a revenue deficit. Give *one* reason to support this statement. **[1]**

(xiii) State whether the following is True or False. Give *one* reason for your answer. **[1]**

Change in inventory is a stock concept.

(xiv) State *any one* difference between Perfect competition and Monopolistic competition. **[1]**

(xv) Full employment does not necessarily imply zero unemployment. Justify. **[1]**

(xvi) How is deflationary gap generated in the economy? **[1]**

SECTION B – 32 MARKS

Question 2

(i) It is claimed that Artificial Intelligence can help the manufacturing industries improve their efficiency. **[2]**

How will this impact the supply of the product by the manufacturing industries? Show the impact with the help of a diagram.

(ii) The market demand for a commodity at ₹ 8 per unit is 100 units. The price rises and as a result, its market demand falls to 75 units. Find out the new price of the commodity if the price elasticity of demand is -1. **[2]**

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Question 3

(i) What does the difference between fiscal deficit and interest payments imply? What does 'zero difference' mean in this case? **[2]**

(ii) In some situations, the government may consider additional spending to fight inflation. Justify this statement. **[2]**

Question 4

(i) Why is the short run average cost curve U-shaped? **[1]**

(ii) Calculate AC, AVC and AFC from the following: **[3]**

TFC is ₹15 at all levels of output

Output (Units)	1	2	3	4
TVC	10	19	29	40

Question 5

(i) Explain *any two* causes of restricted entry in a monopoly market structure. **[2]**

(ii) The demand curve of a firm is more elastic under monopolistic competition than under monopoly. Explain **[2]**

OR

(i) Maximum profit implies the equilibrium position of a firm, but every equilibrium does not imply maximum profit of the firm. Justify this statement with the help of a suitable diagram. **[4]**

Question 6

(i) Explain the indeterminate demand curve of an oligopolist. **[2]**

(ii) What is meant by a *break-even point*? Show it in a diagram. **[2]**

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Question 7

(i) How can open market operations help curb deflationary pressure in the economy? **[2]**

(ii) Indian rupee is a *legal tender*. Justify this statement. **[2]**

Question 8 **[4]**

(i) Describe *four* important functions of Money.

OR

(ii) How are deposits created through lending by commercial banks? Explain with the help of a numerical example.

Question 9 **[4]**

Determine the output and equilibrium level of income with the help of Saving and Investment approach.

SECTION C – 32 MARKS

Question 10

(i) Explain the Law of Variable Proportions with the help of a diagram. **[6]**

(ii) Negative returns cause losses to a firm. What are the causes for Negative returns? **[2]**

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Question 11

(i)

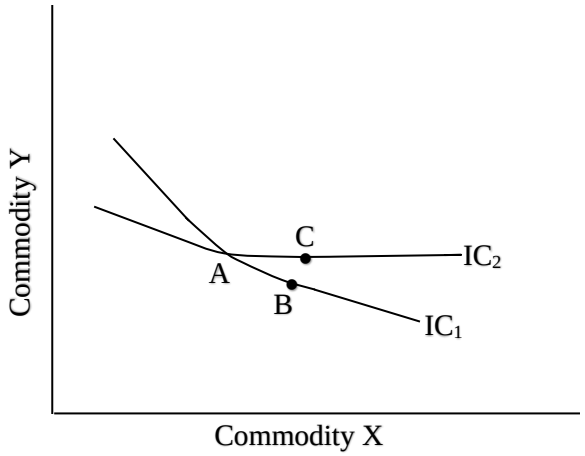


Figure 3

(a) Why is the graph shown above not a common phenomenon in the consumer preferences? **[2]**

(b) With the help of a schedule, explain the operation of the Law of Equi-Marginal Utility. **[6]**

OR

(ii)

(a) Explain how DMRS is responsible for convexity of Indifference Curve. **[2]**

(b) A consumer can attain a stable equilibrium only when the marginal utility obtained from a commodity can be equated with the price of that commodity. Explain this phenomenon with the help of a diagram. **[6]**

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Question 12

(i) What is the difference between Real GDP and Nominal GDP? **[2]**

(ii) Calculate National Income by Income Method and Expenditure Method from the following information: **[6]**

	Items	₹ (in Crore)
1.	Government final Consumption Expenditure	1,100
2.	Net Exports	(-) 30
3.	Mixed income of self employed	700
4.	Interest	620
5.	Rent	400
6.	Consumption of fixed capital	130
7.	Net domestic capital formation	770
8.	Private final consumption expenditure	2000
9.	Profit	800
10.	Net indirect taxes	120
11.	Net factor income from abroad	(-) 20
12.	Compensation of employees	1200

OR

(i) Why are transfer incomes and windfall gains not included in the calculation of national income? **[2]**

(ii) Calculate GDP_{MP} and NNP_{MP} from the following data: **[6]**

	Items	₹ (in Crore)
1.	Private final consumption expenditure	1,000
2.	Net domestic capital formation	200
3.	Government final consumption expenditure	500
4.	Consumption of fixed capital	60
5.	Net factor income from abroad	(-) 10
6.	Indirect tax	100
7.	Net exports	(-) 20
8.	Subsidies	20

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Question 13

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

India's overall exports (Merchandise and Services combined) in April-December 2022 was estimated to exhibit a positive growth of 16·11 % over the same period last year. As India's domestic demand has remained steady amidst the global slump, overall imports were estimated to exhibit a growth of 25·55%. Global growth forecasts indicate a downturn in global economic activity and trade. The decline in exports is mainly on account of less demand in India's key destinations – Europe and the US. It may take some more months for the situation to improve.

In reality, negative growth rates were observed for both exports (Merchandise and Services combined) and imports for this period, but exports exhibited higher negative growth rate than that of imports.

Source (edited): INDIA'S FOREIGN TRADE: December 2022

Posted on: 16 January 2023 by PIB Delhi

(i) Which account of BOP is the concern in this extract? **[1]**

(ii) Mention the components of this account of BOP. **[2]**

(iii) Which situation, *deficit* or *surplus*, of this account is focused here? **[1]**

(iv) Which policy measure, *revaluation* or *devaluation* should be implemented to resolve the situation given above? Explain the mechanism in brief. **[2]**

(v) How does this account of BOP influence the national income? **[2]**

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