



**GOVERNMENT OF KARNATAKA**

**DEPARTMENT OF SCHOOL EDUCATION  
(PRE UNIVERSITY)**

**REVISED QUESTION BANK (2024-25)**

**SUBJECT: ECONOMICS (22)**

**SECOND PUC**

# ECONOMICS (22) QUESTION BANK COMMITTEE

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## PART - A: INTRODUCTORY MICRO ECONOMICS

### CHAPTER – 1 : INTRODUCTION

#### I. Choose the correct answer. (Each question carries 1 mark)

- The scarce resources of an economy have
  - Competing usages
  - Single usage
  - Unlimited usages
  - Limited Usages
- Central problems of an economy include
  - What to produce
  - How to produce
  - For whom to produce
  - All of the above
- Which of the following is an example of micro economics?
  - National income
  - Consumer behaviour
  - Unemployment
  - Foreign trade
- Traditionally, the subject matter of economics has been studied under the following branches.
  - Micro and Macro Economics
  - Positive and Normative economics
  - Deductive and Inductive method
  - Market and Mixed Economy

#### II. Fill in the blanks. (Each question carries 1 mark)

- Scarcity of resources gives rise to \_\_\_\_\_
- In a centrally planned economy all important decisions are made by \_\_\_\_\_
- \_\_\_\_\_ is a set of arrangements where economic agents can freely exchange their endowments or products with each other.
- In reality, all economies are \_\_\_\_\_

#### III. Match the following. (Each question carries 1 mark)

A	B
1) Market economy	a) Government
2) Service of Teachers	b) Private ownership
3) Centrally planned economy	c) Skill
4) Positive economics	d) Evaluation of Mechanism
5) Normative economics	e) Functioning of Mechanism

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

- Why does the problem of choice arise?
- Give an example for Market economy.

3. What do you mean by Production Possibility Set?
4. What does a combination below the Production Possibility Frontier indicate?
5. Give the meaning of Micro economics.

**V. Answer the following questions in about 4 sentences. (Each question carries 2 marks)**

1. Mention the Central problems of an economy.
2. List out the basic economic activities.
3. What is Production Possibility Frontier?
4. What do you mean by Mixed economy? Give an example.
5. Distinguish between Positive and Normative economics.
6. State the difference between Micro and Macroeconomics.

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

1. Briefly explain, how the Family Farm, Weaver, Teacher can use their resources to fulfil their needs in a simple economy.
2. What are the three Central problems of an economy? Explain.
3. Explain the Production Possibility Frontier.
4. Write about Centrally planned economy.
5. How does the Market economy works?

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## CHAPTER – 2: THEORY OF CONSUMER BEHAVIOUR

### I. Choose the correct answer. (Each question carries 1 mark)

1. Utility is
  - a) Objective
  - b) Subjective
  - c) Active
  - d) Passive
2. When TU is constant MU becomes
  - a) Zero
  - b) Maximum
  - c) Negative
  - d) Positive
3. Ordinal utility analysis expresses utility in
  - a) Numbers
  - b) Returns
  - c) Ranks
  - d) Ratios
4. The shape of an indifference curve is normally
  - a) Convex to origin
  - b) Concave to origin
  - c) Horizontal
  - d) Vertical
5. The consumption bundles that are available to the consumer's income depend on
  - a) Colour and shape
  - b) Price and income
  - c) Income and quality
  - d) Price and demand
6. 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)  $Y = Mx + C$
7. The demand for these goods increase as income of the consumer increases
  - a) Inferior goods
  - b) Normal goods
  - c) Giffen goods
  - d) Substitute goods
8. A vertical demand curve represents
  - a) Perfect elasticity
  - b) Perfect inelasticity
  - c) Unitary elasticity
  - d) More elasticity
9. At the midpoint of the demand curve, the elasticity is
  - a) Equal to one
  - b) Less than one
  - c) More than one
  - d) Equal to zero
10. The value of Elasticity of demand at different points on a linear demand curve lies between
  - a) 0 and  $\infty$
  - b) 1 and 10
  - c) 10 and 100
  - d) 5 and 10

### II. Fill in the blanks. (Each question carries 1 mark)

1. Want satisfying capacity of a commodity is \_\_\_\_\_
2. Two indifference curves never \_\_\_\_\_ each other.
3. As the consumer's income increases, the demand curve for inferior goods shifts towards \_\_\_\_\_
4. The demand for a good moves in the \_\_\_\_\_ direction of its price.
5. Method of adding two individual demand curves is called \_\_\_\_\_

**III. Match the following. (Each question carries 1 mark)**

A	B
1) Demand curve	a) $d(p) = a - bp$
2) Linear demand curve	b) Downward sloping
3) Unitary elasticity of demand	c) Pen and Ink
4) Complementary goods	d) A family of indifference curves
5) Indifference Map	e) $ e_D  = 1$

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

1. Give the meaning of Marginal utility.
2. Suppose, to a consumer 4 oranges give 28 units of total utility and 5 oranges give 30 units of total utility, calculate the marginal utility.
3. What is Budget line?
4. MRS - Expand.
5. What do you mean by Indifference curve?
6. What is Demand?
7. Give the meaning of Demand function.
8. If the demand curves of two consumers are  $d_1(p) = 10 - p$  and  $d_2(p) = 15 - p$  respectively, Find out the Market demand.

**V. Answer the following questions in about 4 sentences. (Each question carries 2 marks)**

1. Mention two approaches which explain consumer behaviour.
2. What is Monotonic preference?
3. What are the differences between Budget line and Budget set?
4. List out the factors that determine the Optimal choice of a consumer.
5. Name the two effects that explain the negative slope of the demand curve.
6. State the Law of demand.
7. What do you mean by Inferior goods? Give an example.
8. What do you mean by Price Elasticity of demand? Write its formula.
9. Mention any two types of Price Elasticity of demand.
10. Write any two factors that determine Price Elasticity of demand for a good.
11. Suppose the Price Elasticity of demand for a good is -0.2. How will the expenditure on the good be affected if there is a 10% increase in the price of the good?

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

1. Write the differences between Total utility and Marginal utility.
2. Explain the Indifference map with a diagram.
3. Briefly explain the Budget set with the help of a diagram.
4. Present the derivation of slope of Budget line.
5. List out the differences between Normal goods and Inferior goods with examples.
6. Write the differences between Substitute goods and Complementary goods.
7. Suppose an individual buys 15 apples at the price Rs.5 per apple, and if the price increases to Rs.7 per apple, she reduces her demand to 12 apples. Find out the Price elasticity of demand.
8. Consider a market where there are two consumers and their demand for the goods at different price level is given as follows: Calculate the market demand for the good.

P	D <sub>1</sub>	D <sub>2</sub>	Market Demand
1	9	24	
2	8	20	
3	7	18	
4	6	16	
5	5	14	
6	4	12	
7	3	10	
8	2	8	

**VII. Answer the following questions in about 20 sentences. (Each question carries 6 marks)**

1. Explain the law of Diminishing Marginal Utility with the help of table and diagram.
2. Illustrate the features of Indifference curve with diagrams.
3. Elucidate the changes in Budget set with the help of diagrams.
4. Explain the Optimal choice of consumer with the help of a diagram.
5. Demonstrate the derivation of demand curve from Indifference curves and budget constraints.
6. Explain the movements along the demand curve and shifts in demand curve with the help of two diagrams.
7. Present the Market demand with the help of diagrams.
8. Analyse the points of elasticity along a linear demand curve.

### **VIII. Assignment and Project Oriented Question. (5 Marks)**

1. A consumer wants to consume two goods, the price of good  $X_1$  is Rs.10 and the price of good  $X_2$  is Rs.20. The consumer's income is Rs.100. Answer the following.
  - a) How many  $X_1$  goods a consumer can consume if the entire income is spent on that good?
  - b) How many  $X_2$  goods a consumer can consume if the entire income is spent on that good?
  - c) Is the slope of budget line downward or upward?
  - d) Are the bundles on the budget line equal to the consumer income or not?
  - e) If consumer wants to have more of  $X_1$  good,  $X_2$  good has to be given up. Is it true?

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## CHAPTER – 3: PRODUCTION AND COSTS

### I. Choose the correct answer. (Each question carries 1 mark)

- The functional relationship between inputs and output is called as
  - Consumption Function
  - Production Function
  - Savings Function
  - Investment Function
- The formula of production function is
  - $q = f(L, K)$
  - $q = d(p)$
  - $y = f(x)$
  - $q = a - bp$
- In the short run, a firm
  - Can change all inputs
  - Cannot vary any inputs
  - Can change any one input
  - All inputs remain constant
- The change in output per unit of change in the input is called
  - Marginal Product
  - Average Product
  - Total Product
  - Maximum Product
- The Long run production analysis is explained by
  - Law of demand
  - Law of supply
  - Law of returns to scale
  - Law of variable proportions
- Cobb-Douglas production function is
  - $q = (x, x)$
  - $q = (x_1, x_2)$
  - $q = (x_1^\alpha, x_2^\beta)$
  - $q = (x_0, x_1)$
- Find the Total cost where TFC is 100 and TVC is 125.
  - 25
  - 125
  - 175
  - 225
- The shape of the Average fixed cost curve is
  - Rectangular hyperbola
  - 'U' shaped
  - Inversely 'U' shaped
  - Horizontal

### II. Fill in the blanks. (Each question carries 1 mark)

- \_\_\_\_\_ is the set of all possible combinations of two inputs that yield the same maximum possible level of output.
- In the long run all inputs are \_\_\_\_\_
- \_\_\_\_\_ is defined as output per unit of variable input.
- Marginal product and Average product curves are \_\_\_\_\_ in shape.
- SMC curve cuts AVC curve at the \_\_\_\_\_ point of AVC curve from below.

**III. Match the following. (Each question carries 1 mark)**

A	B
1) CRS	a) $\Delta TC/\Delta Q$
2) SAC	b) $TP_L - TP_{L-1}$
3) $MP_L$	c) Short run average cost
4) $TFC+TVC$	d) Constant returns to scale
5) SMC	e) TC

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

1. What do you mean by Total product?
2. State the law that explains the short-run production analysis.
3. Name the Returns to scale when the output increases by more than 10%, for a 10% increase in the inputs.
4. Write the meaning of Cost function of the firm.
5. What is Total fixed cost?
6. Write the formula of Average variable cost.

**V. Answer the following questions in about 4 sentences. (Each question carries 2 marks)**

1. Give the meaning of Short-run and Long-run concepts.
2. State the types of Returns to scale.
3. Name any two Short run costs.
4. What are Long run costs?
5. What is Long run Average Cost? Write its formula.

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

1. Explain Isoquant with the help of the diagram.
2. Explain Total Product, Average Product and Marginal Product with examples.
3. The following table gives the total product ( $TP_L$ ) schedule of labour. Find the corresponding average product ( $AP_L$ ) and marginal product ( $MP_L$ ) of labour.

L	0	1	2	3	4	5
$TP_L$	0	15	35	50	60	68

4. Write about returns to scale.
5. The following table gives the TVC schedule of a firm. TFC is Rs.10. Find out AFC and AVC.

Q	0	1	2	3	4	5
TVC	0	15	26	33	40	55

6. Draw Short run Average cost (SAC) and Short run Marginal cost (SMC) curves by using the following data in a diagram.

Q	SAC	SMC
1	60	50
2	45	30
3	25	20
4	15	15
5	20	25
6	30	45
7	50	60

7. Explain the shapes of various Long run cost curves.

**VII. Answer the following questions in about 20 sentences. (Each question carries 6 marks)**

1. Explain the Law of Variable Proportions with the help of a diagram.
2. Explain the shapes of Total Product (TP), Average Product (AP) and Marginal Product (MP) curves.
3. The following table gives the average product schedule of labour ( $AP_L$ ). Find the total product ( $TP_L$ ) and marginal product ( $MP_L$ ) schedule of Labour.

L	1	2	3	4	5	6
$AP_L$	2	3	4	5	4	3

4. Explain the various Short run costs.
5. Analyse the Short run cost curves of TFC, TVC, SAC and SMC with the help of diagrams.
6. A firm's SMC schedule is shown in the following table. TFC is Rs.100. Find out TVC, TC, AVC and SAC schedule of the firm.

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

**VIII. Assignment and Project Oriented Question. (5 Marks)**

1. Find the missing products in the following table.

Factor (L)	$TP_L$	$MP_L$	$AP_L$
0	0	0	0
1	10	-	10
2	22	-	-
3	-	14	12
4	-	08	11
5	50	06	10

(For Blind students only: Give the meaning of TP, AP and MP)

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## CHAPTER-4: THE THEORY OF FIRM UNDER PERFECT COMPETITION

### I. Choose the correct answer. (Each question carries 1 mark)

- The products in a Perfectly competitive market are
  - Heterogeneous products
  - Homogeneous products
  - Luxury goods
  - Necessary goods
- The increase in Total revenue for a unit increase in the output is
  - Marginal Revenue
  - Average Revenue
  - Total Revenue
  - Fixed Revenue
- A book seller sells 30 books at the price of Rs 10 each. The Total Revenue of the seller is
  - Rs.100
  - Rs. 200
  - Rs. 300
  - Rs. 400
- A firm's profit is denoted by
  - $\Sigma$
  - $\Delta$
  - $\emptyset$
  - $\pi$
- When the supply curve is vertical, the elasticity of supply is as follows
  - $es = 1$
  - $es > 1$
  - $es = 0$
  - $es = \infty$

### II. Fill in the blanks. (Each question carries 1 mark)

- Price taking behaviour is the distinguishing characteristic of \_\_\_\_\_ market.
- For a price taking firm marginal revenue is equal to \_\_\_\_\_
- The minimum point of AVC where the SMC curve cuts the AVC curve is called \_\_\_\_\_
- \_\_\_\_\_ cost of some activity is the gain foregone from the second best activity.
- \_\_\_\_\_ is a tax that the Government imposes per unit sale of output.

### III. Match the following. (Each question carries 1 mark)

A	B
1) MR =	a) Perfect information
2) $\pi$ =	b) Zero profit
3) AR =	c) $\Delta TR / \Delta Q$
4) Normal profit	d) TR-TC
5) Perfect competition	e) TR/Q

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

1. Write the formula to calculate Average Revenue.
2. Define Marginal Revenue.
3. What is Supply?
4. What is Normal profit?
5. Give the meaning of Super Normal profit.
6. To which side does a supply curve shift due to the technological progress?

**V. Answer the following questions in about 4 sentences.(Each question carries 2 marks)**

1. State the conditions needed for profit maximization by a firm under Perfect competition.
2. Give the meaning of Shut down point.
3. Write the meaning of Opportunity cost with example.
4. Mention the two determinants of a firm's Supply curve.
5. Find out the Market supply when the supply curves of two producers are  $S_1(p) = p - 20$  and  $S_2(p) = p - 10$  respectively.
6. Give the meaning of Price elasticity of supply and write its formula.

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

1. Explain the features of Perfect competition.
2. Write about the third condition of profit maximization of the firm under perfect competition with the help of diagrams.
3. The following table shows the total revenue and total cost schedules of a competitive firm. Calculate the profit at each output level and determine the market price of the good.

Quantity sold(q)	TR (Rs.)	TC (Rs.)	Profit	Market Price
0	0	5		
1	5	7		
2	10	10		
3	15	12		
4	20	15		
5	25	23		
6	30	33		
7	35	40		

4. Write about Shut down point, Normal profit and Break-even point.
5. Explain the determinants of a firm's supply curve.

6. Assume that 200 balls are produced by the firm at the market price Rs.10 for each ball. When the price of ball rises to Rs.30, firm produces 1000 balls. Find the Price elasticity of supply?

**VII. Answer the following questions in about 20 sentences. (Each question carries 6 marks)**

1. Write about Total revenue and Average revenue of a firm under Perfect competition with diagrams.
2. Explain the profit maximization of a firm under the following conditions.
  - a)  $P = MC$
  - b) MC must be non-decreasing at  $q_0$
3. Analyse the short run supply curve of a firm with the help of a diagram.
4. Illustrate the Long run supply curve of a firm with the help of a diagram.
5. Explain Market supply curve with the help of diagram.

**VIII. Assignment and Project Oriented Question. (5 Marks)**

1. In a Perfectly competitive market when market price of each unit of good is Rs.60, compute the total revenue, marginal revenue and average revenue schedules from the following table.

Quantity sold	TR	MR	AR
0			
1			
2			
3			
4			
5			

**(For Blind students only: Give the meaning of TR, MR and AR)**

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## CHAPTER- 5: MARKET EQUILIBRIUM

### I. Choose the correct answer. (Each question carries 1 mark)

1. In Perfect competition buyers and sellers are  
 a) Price makers      b) Price takers      c) Price analysts      d) Price givers
2. The situation where plans of all consumers and firms in the market match  
 a) Disequilibrium situation      b) Equilibrium situation  
 c) Maximum profit situation      d) Super normal profit situation
3. As a result of increase in the number of firms there is an increase in supply, then supply curve  
 a) Shifts towards left      b) Shifts towards right  
 c) Shifts towards both sides      d) Shifts horizontally
4. The firms earn super normal profit as long as the price is greater than the minimum of  
 a) Marginal cost      b) Total cost      c) Average cost      d) Fixed cost
5. The government imposing upper limit on the price of goods and services is called  
 a) Price ceiling      b) Selling price      c) Price floor      d) Market price
6. The government imposing lower limit on the price of goods and services is called  
 a) Minimum price      b) Maximum price      c) Price floor      d) Equilibrium price

### II. Fill in the blanks. (Each question carries 1 mark)

1. In a Perfectly competitive market, equilibrium occurs when market demand \_\_\_\_\_ market supply.
2. It is assumed that, in a perfect competitive market an \_\_\_\_\_ is at play.
3. In labour market \_\_\_\_\_ are the suppliers of labour.
4. \_\_\_\_\_ is determined at the point where the demand for labour and supply of labour curves intersect.
5. If the demand curve shifts leftward and supply curve shifts rightward, equilibrium price will be \_\_\_\_\_

### III. Match the following. (Each question carries 1 mark)

A	B
1) Adam smith	a) Attraction of new firms
2) Excess supply	b) Operation of invisible hand
3) Market equilibrium	c) $VMP_L$
4) Possibility of super-normal profit	d) $QS > QD$
5) Wage rate	e) $QD = QS$

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

1. Define Market equilibrium.
2. What is Equilibrium price?
3. Give an example for Price ceiling.
4. Give an example for Price floor.
5. Through which legislation, the government ensures that the wage rate of the labourers do not fall below a particular level?

**V. Answer the following questions in about 4 sentences. (Each question carries 2 marks)**

1. Define Equilibrium price and quantity.
2. Distinguish between Excess demand and Excess supply.
3. What is Marginal Revenue Product of labour ( $MRP_L$ )?
4. How wage is determined in the Labour market?
5. Write any two possible ways in which demand and supply curves shifts simultaneously.

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

1. Consider the market for cotton, the demand curve for the cotton is  $q = 200 - p$ . Assume that market consists of identical firms in which supply of single firm is  $q = 10 + p$  at the price 20. Calculate the equilibrium number of firms.
2. Write a table to show the impact of simultaneous shifts in demand and supply on equilibrium.
3. What is the implication of free entry and exit of firm on Market equilibrium? Briefly explain.
4. What is Price ceiling? Explain with a diagram.
5. Discuss the concept of Price floor with the help of a diagram.

**VII. Answer the following questions in about 20 sentences. (Each question carries 6 marks)**

1. Explain the Market equilibrium when the number of firms are fixed in the market with the help of diagram.
2. Suppose the demand and supply curves of wheat are given by  $q^D = 250 - P$  and  $q^S = 150 + P$ .
  - a) Find the equilibrium price.
  - b) Find the equilibrium quantity of demand and supply.
  - c) Find the new quantity of demand and supply when the price is greater than equilibrium price.
  - d) Find the new quantity of demand and supply when the price is less than equilibrium price.



3. Suppose the demand and supply curves of salt are given by  $q^D = 100 - P$  and  $q^S = 70 + 2P$ .
  - a) Find the equilibrium price and quantity.
  - b) Now suppose that the price of an input used to produce salt has increased so that the new supply curve is  $q^S = 40 + 2P$ . How does the equilibrium price and quantity change?
  - c) Suppose the government has imposed a tax of Rs.3 per unit of sale of salt. How does it affect the equilibrium price and quantity?
4. When supply curve is unchanged, explain the impact of shifts in demand on equilibrium with the help of diagrams.
5. When demand curve is unchanged, explain the impact of shifts in supply on equilibrium with the help of diagrams.
6. Explain the simultaneous shifts of demand and supply curve in perfect competition with the help of diagrams.

#### VIII. Assignment and Project Oriented Question. (5 Marks)

1. Draw a diagram for the following table and identify the equilibrium point, equilibrium price, equilibrium quantity, excess demand and excess supply in the diagram.

P	QD	QS
1	50	10
2	40	20
3	30	30
4	20	40
5	10	50

**(For Blind students only:** Give the meaning of market equilibrium, equilibrium price, equilibrium quantity, excess demand and excess supply.)

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## **PART-B: INTRODUCTORY MACRO ECONOMICS**

### **CHAPTER – 1: INTRODUCTION**

#### **I. Choose the correct answer. (Each question carries 1 mark)**

1. The individuals or institutions which take economic decisions are
  - a) Economic variables
  - b) Economists
  - c) Economic agents
  - d) Economic thinkers
2. '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) Contemporary thought
  - c) Classical thought
  - d) Colonial thought
3. In 1936 British economist J.M. Keynes published his celebrated book
  - a) Wealth of Nations
  - b) General theory of employment, interest and money
  - c) Theory of Population
  - d) Principles of Economics
4. The year of Great Depression
  - a) 1920
  - b) 1889
  - c) 1929
  - d) 2018
5. In a Capitalist country production activities are mainly carried out by
  - a) Private enterprises
  - b) Government authority
  - c) Planning authority
  - d) Public enterprises

#### **II. Fill in the blanks. (Each question carries 1 mark)**

1. \_\_\_\_\_ tries to address situations facing the economy as a whole.
2. Macroeconomics has its deep roots in \_\_\_\_\_
3. \_\_\_\_\_ Policies are pursued by the state itself or statutory bodies like RBI, SEBI etc.
4. A part of the revenue is paid as \_\_\_\_\_ for the service rendered by land.
5. \_\_\_\_\_ will be called as firms.

#### **III. Answer the following questions in a sentence/word. (Each question carries 1 mark)**

1. Who are Economic agents?
2. Name the well-known work of Adam Smith.
3. What do you mean by Wage rate?
4. Give the meaning of Exports.
5. Write the meaning of Imports.

**IV. Answer the following questions in about 4 sentences. (Each question carries 2 marks)**

1. Who are the macroeconomic decision makers?
2. Name four major sectors of an economy according to macroeconomic point of view.
3. What are the features of Capitalistic economy?
4. Name the two kinds of External trade.

**V. Answer the following questions in about 12 sentences. (Each question carries 4 marks)**

1. Briefly explain in what way Macro Economics is different from Micro Economics.
2. Discuss the emergence of Macroeconomics.
3. Explain the working of the economy of a Capitalist country.
4. Discuss the role of the Government (State) and Household sectors in both developed and developing countries.

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## CHAPTER – 2: NATIONAL INCOME ACCOUNTING

### I. Choose the correct answer. (Each question carries 1 mark)

- The study of National Income is related to
  - Micro economics
  - Macro economics
  - Behavioral economics
  - Normative economics
- Counting of intermediate goods separately will lead to error of
  - Black marketing
  - Double counting
  - Accumulation
  - Tax evasion
- Measuring the sum total of all factor payments will be called
  - Product method
  - Expenditure method
  - Income method
  - Value added method
- In India, the institution which reports GDP is
  - NSSO
  - RBI
  - SEBI
  - CSO
- $NNP = GNP -$ 
  - Deduction
  - Depreciation
  - Investment
  - Net expenditure
- Net National Product at factor cost is also known as
  - National Income
  - Per capita Income
  - Domestic Income
  - Personal Income
- Deduction of undistributed profit from national income gives
  - Personal Disposable Income
  - Personal Income
  - Private Income
  - Net Income
- GVA at Market prices is equal to
  - GNP at Market prices
  - GNP at Factor cost
  - GDP at Market prices
  - GDP at Factor cost
- The value of GDP at the current prevailing prices is
  - Real GDP
  - GDP at factor cost
  - Nominal GDP
  - NDP
- The year used to calculate the real GDP is
  - Current year
  - Financial year
  - Base year
  - Fiscal year

### II. Fill in the blanks. (Each question carries 1 mark)

- \_\_\_\_\_ are defined at a particular point of time.
- \_\_\_\_\_ is a stock variable.
- The net contribution made by a firm is called its \_\_\_\_\_
- Value added method is the alternative name of \_\_\_\_\_ method.
- Consumer Price Index is generally expressed in terms of \_\_\_\_\_
- Environmental Pollution is an example for \_\_\_\_\_ externalities.

**III Match the following. (Each question carries 1 mark)**

A	B
1) Labour	a) Non-monetary exchange
2) GDP	b) Personal disposable income
3) Inventory	c) Gross domestic product
4) PDI	d) Stock variable
5) Domestic service	e) Wage

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

1. What do you mean by Final goods?
2. What is Depreciation?
3. How do you get Net value added?
4. State the meaning of Inventory.
5. Give the meaning of Gross Domestic Product.
6.  $GNP_{MP}$  – Expand.
7. Give any one example for Non-tax payment.
8. How do we get Personal disposable income?
9. What is GDP Deflator?
10. CPI - Expand.

**V. Answer the following questions in about 4 sentences. (Each question carries 2 marks)**

1. What are the four Factors of production? Mention their rewards.
2. Give the meaning of Intermediate goods with an example.
3. What is the difference between Consumer goods and Capital goods?
4. Distinguish between Stock and Flow. Give example.
5. State three methods of measuring GDP (National Income).
6. Give the meaning of accumulation and decumulation of inventory.
7. Write the equations of  $GDP_{MP}$  and  $GDP_{FC}$ .
8. What is Transfer Payment? Give an example.
9. Write the difference between Nominal and Real GDP.
10. If the Real GDP is Rs.300 and Nominal GDP is Rs.330, calculate GDP Deflator.
11. State the meaning of retail price and wholesale price.
12. What do you mean by Externalities? Mention its two types.

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

1. Write about the concept of final good.
2. Illustrate the Circular flow of income of an economy with the help of chart.
3. Explain planned accumulation and decumulation of Inventories with example.
4. Elucidate unplanned accumulation and decumulation of Inventories with example.
5. Calculate the aggregate value of Depreciation by using the following data.

Particulars	Values (Rs. in Crores)
GDP at market price	1100
Net Factor Income from Abroad	100
Net Indirect taxes	150
National Income	850

6. Write about Externalities.

**VII. Answer the following questions in about 20 sentences. (Each question carries 6 marks)**

1. Briefly explain the Expenditure method of measuring GDP.
2. Prove that all the three methods of estimating GDP gives us the same answer with numerical example.
3. Explain the Macroeconomic identities.
4. Suppose the  $GDP_{MP}$  of a country in a particular year was Rs.3,000 crores. Net Factor Income from Abroad (NFIA) was Rs. 500 crores. The depreciation was Rs. 450 crores and the value of Net Indirect taxes (NIT) was Rs. 300 crores. Complete the following table.

Identities	Values (Rs. in Crores)
$GDP_{MP}$	3000
$GDP_{FC}$	
$NDP_{MP}$	
$NDP_{FC}$	
$GNP_{MP}$	
$GNP_{FC}$	
$NNP_{MP}$	

5. Suppose the  $GDP_{MP}$  of a country in a particular year was Rs. 1000 crores. Net Factor Income from Abroad (NFIA) was Rs. 100 crores. The depreciation was Rs. 250 crores and the value of Net Indirect taxes (NIT) was Rs. 200 crores. Answer the following.
- Find out the  $NDP_{MP}$
  - Find out the  $GNP_{MP}$ .
  - Find out the  $NNP_{MP}$ .
  - Find out the  $NNP_{FC}$ .
  - Which one is called as National Income?
  - Is GNP always greater than National Income?
6. Explain the limitations of using GDP as an index of welfare of a country.

### VIII. Assignment and project Oriented Question. (5 Marks)

1. Find out the missing values in the following table.

Production Levels	Total Production	Intermediate Goods used	Value Added
Wheat (Farmer)	500	0	---
Flour (A Miller)	---	500	300
Bread (Baker)	1100	---	300
Retail Shop (Seller)	---	1100	200
Gross Value Added (GVA)			---

(For Blind students only: Expand  $GDP_{MP}$ ,  $NDP_{MP}$ ,  $GNP_{FC}$ ,  $NNP_{MP}$  and  $NNP_{FC}$ .)

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## CHAPTER – 3: MONEY AND BANKING

### I. Choose the correct answer. (Each question carries 1 mark)

1. The main function of money is
  - a) Saving
  - b) Expenditure
  - c) Medium of exchange
  - d) Investment
2. RBI was established in the year
  - a) 1935
  - b) 1947
  - c) 1948
  - d) 1950
3. RBI does not directly deal with
  - a) Central Government
  - b) Commercial Banks
  - c) General Public
  - d) State Governments
4. The banks which are a part of the money creating system of an economy are
  - a) Exchange Banks
  - b) Commercial Banks
  - c) Reserve Bank India
  - d) World Bank
5. The rate at which the RBI lends money to commercial banks against securities is called as
  - a) Bank rate
  - b) Repo rate
  - c) Reverse repo rate
  - d) Interest rate
6. The important tool by which RBI influences money supply is
  - a) Open market operations
  - b) Closed market operation
  - c) Money operation
  - d) Goods market operation
7. Aggregate monetary resources are also known as
  - a) M1
  - b) M2
  - c) M3
  - d) M4
8. The 2016 Demonetization of currency included denominations of
  - a) Rs.500 and Rs.1000
  - b) Rs.1000 and Rs.2000
  - c) Rs.200 and Rs.500
  - d) Rs.500 and Rs.2000

### II. Fill in the blanks. (Each question carries 1 mark)

1. Economic exchanges without the use of money are referred to as \_\_\_\_\_
2. \_\_\_\_\_ is the only institution which can issue currency in India.
3. \_\_\_\_\_ issues coins in India.
4. The principal motive for holding money is to carry out \_\_\_\_\_
5. In a modern economy, money comprises cash and \_\_\_\_\_
6. M1 and M2 are known as \_\_\_\_\_



**III. Match the following. (Each question carries 1 mark)**

A	B
1) SLR	a) Deposits
2) Liabilities	b) Statutory Liquidity Ratio
3) Qualitative tool	c) Broad Money
4) M3 and M4	d) Repo
5) Repurchase agreement	e) Margin requirement

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

1. What do you mean by Barter system?
2. Give the meaning of Money.
3. Give an example for Digital transactions.
4. Which Bank acts as a monetary authority of India?
5. What is Bank rate?
6. What is 'velocity of circulation of money'?
7. At higher interest rates, what will happen to Demand for money?
8. What is Time deposit?
9. Give the meaning of 'Fiat money'.
10. Write the meaning of 'High powered money'.

**V. Answer the following questions in about 4 sentences. (Each question carries 2 marks)**

1. State any two problems of Barter system.
2. Write any two functions of Money.
3. Mention any two initiatives taken by the Government for Financial inclusion in India.
4. Give the meaning of Cash Reserve Ratio and Statutory Liquidity Ratio.
5. If CRR is 20 percent, calculate Money multiplier.
6. State the Quantitative credit control instruments of RBI.
7. What role of RBI is known as 'Lender of Last Resort'?
8. How does the Bank rate influence money supply?
9. State the two motives of Demand for money.
10. Define Liquidity trap.

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

1. 'Money acts as a convenient Unit of account'. Explain this statement with example.
2. Briefly explain the functions of Reserve Bank of India.
3. Write about the functions of Commercial banks.
4. Explain the Transaction motive of demand for money.
5. Discuss the Speculative motive of demand for money.
6. Write about the Legal definitions of Money.

**VII. Answer the following questions in about 20 sentences. (Each question carries 6 marks)**

1. Explain the functions of Money. How does money overcome the short comings of a Barter system?
2. Write the story of gold smith Lala on the process of deposit and loan (credit) creation by Commercial banks.
3. 'Requirement of reserves acts as a limit to money (credit) creation'. Analyse.
4. Explain the Open market operations.

**VIII. Assignment and project Oriented Question. (5 Marks)**

1. Write about the impact of 2016 Demonetisation on Indian economy.

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## CHAPTER – 4: DETERMINATION OF INCOME AND EMPLOYMENT

### I. Choose the correct answer. (Each question carries 1 mark)

- The point where ex-ante aggregate demand is equal to ex-ante aggregate supply will be
  - Equilibrium
  - Disequilibrium
  - Excess demand
  - Excess supply
- Consumption which is independent of income is
  - Induced consumption
  - Autonomous consumption
  - Wasteful consumption
  - Initial consumption
- Value of MPC lies between
  - 1 and 2
  - 0 and 1
  - 2 and 4
  - 0 and 0.5
- Easy availability of credit encourages
  - Savings
  - Investment
  - Rate of interest
  - Disinvestment
- In the situation of excess demand
  - Demand is less than equilibrium output
  - Demand is more than equilibrium output
  - Supply is less than equilibrium output
  - Supply is more than equilibrium output

### II. Fill in the blanks. (Each question carries 1 mark)

- $cY$  shows the dependence of consumption on \_\_\_\_\_
- Savings is that part of income that is \_\_\_\_\_
- \_\_\_\_\_ is defined as addition to the stock of physical capital.
- $\bar{I}$  is a positive constant which represents the \_\_\_\_\_ investment.
- Size of the Multiplier depends on the value of \_\_\_\_\_

### III. Match the following. (Each question carries 1 mark)

A	B
1) Savings	a) Average propensity to consume
2) Raw material	b) $\bar{C} + \bar{I} + cY$
3) Consumption per unit of income	c) Intermediate good
4) Aggregate demand for final goods	d) Leads to rise in the prices in the long run
5) Excess demand	e) $Y - C$

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

1. Write the formula of Marginal Propensity to Consume (MPC).
2. What do you mean by  $MPC = 0$ ?
3. Mention any one fiscal variable which influence Aggregate demand.
4. Write the meaning of full employment level of income.
5. Write the meaning of Deficient demand.

**V. Answer the following questions in about 4 sentences. (Each question carries 2 marks)**

1. Distinguish between Ex-ante and Ex-post measure of variable.
2. What are the two components of Consumption function?
3. If the value of MPC is 0.75, calculate the value of MPS and Investment Multiplier.
4. With the given Consumption function  $C=100+0.8Y$ , when autonomous consumption changes to 200, write the new consumption function and identify the value of MPC.
5. Give the meaning of Marginal Propensity to Save (MPS) and Average Propensity to Save (APS).
6. Give the meaning of Investment multiplier and write its formula.
7. State the meaning of Paradox of thrift.

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

1. Explain Consumption function with diagram.
2. Explain the Investment function with diagram.
3. Write the meaning of Aggregate demand function. How can it be obtained graphically?
4. Illustrate the supply side of macro-economic equilibrium with the help of diagram.
5.  $C=50+0.8Y$  and  $I=200$  is the information given about a closed economy,
  - a) Calculate the Equilibrium level of income.
  - b) Suppose  $I$  increases by 250, find out the new equilibrium income.

**VII. Answer the following questions in about 20 sentences. (Each question carries 6 marks)**

1. Analyse the effect of an autonomous change in aggregate demand on income and output.
2. Illustrate the Multiplier mechanism in the final goods market with the help of table.
3. Discuss the Paradox of thrift with the help of diagram.

**VIII. Assignment and project Oriented Question. (5 Marks)**

1. Complete the following schedule by finding Aggregate Demand (AD) and Aggregate Supply (AS) and state the equilibrium level of income.

Y	C	I	AD	AS
0	5	10		
10	10	10		
20	15	10		
30	20	10		
40	25	10		
50	30	10		

**(For blind students only: Write the meaning of MPC, MPS, APC and APS.)**

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## CHAPTER -5: GOVERNMENT BUDGET AND THE ECONOMY

### I. Choose the correct answer. (Each question carries 1 mark)

- The taxes on individuals and firms are
  - Direct taxes
  - Indirect taxes
  - Fixed taxes
  - Service taxes
- The tax levied on goods produced within the country is called
  - Service tax
  - Estate duty
  - Excise tax
  - Customs duty
- The tax which acts as an automatic stabilizer
  - Goods and service tax
  - Wealth tax
  - Quantitative tax
  - Proportional Income tax
- Which of the following is an example for 'Paper tax'?
  - Income tax
  - Excise tax
  - Wealth tax
  - Customs duty
- When demand exceeds the available output under conditions of full employment level, this may give rise to
  - Inflation
  - Deflation
  - Stabilisation
  - Stagflation
- The single largest component of non-plan revenue expenditure is
  - Defence
  - Subsidies
  - Salaries
  - Interest payments
- To meet budget deficit the Government relies more on
  - Borrowing
  - Taxation
  - Printing of money
  - Foreign Aid

### II. Fill in the blanks. (Each question carries 1 mark)

- \_\_\_\_\_ year runs from 1<sup>st</sup> April to 31<sup>st</sup> March in India.
- Non-paying users of public goods are known as \_\_\_\_\_
- Taxes imposed on goods imported into and exported from India are called \_\_\_\_\_
- The Government may spend an amount equal to the revenue it collects. This is known as \_\_\_\_\_
- Revenue deficit = Revenue expenditure minus \_\_\_\_\_

### III. Answer the following questions in a sentence/word. (Each question carries 1 mark)

- What is Budget?
- Cloth, Cars and food items are examples for which goods?
- State the meaning of Public production.
- Give an example for Revenue receipts.
- Give the meaning of Progressive tax.
- Give an example for Capital expenditure.
- What is Primary deficit?

8. What do you mean by discretionary fiscal policy?
9. FRBMA - Expand.
10. GST - Expand.

**IV. Answer the following questions in about 4 sentences. (Each question carries 2 marks)**

1. Write any two main objectives of Government Budget.
2. State the difference between Public goods and Private goods.
3. Why Public goods must be provided by the Government?
4. Who are Free riders? Why are they called so?
5. Mention any two Direct and Indirect taxes of Central Government.
6. State any two Non-tax revenues of the Central Government.
7. Mention the components of plan revenue expenditure.
8. Distinguish between Surplus budget and Deficit budget.
9. Why the Proportional income tax acts as automatic stabilizer?
10. Borrowings are considered as Capital receipts. Why?

**V. Answer the following questions in about 12 sentences. (Each question carries 4 marks)**

1. Write the chart of the Government budget.
2. 'The fiscal deficit gives borrowing requirements of the Government'. Elucidate.
3. Does Public debt impose a burden? Explain.
4. Write about the Ricardian equivalence.
5. Discuss the issue of Deficit reduction in budget.

**VI. Answer the following questions in about 20 sentences. (Each question carries 6 marks)**

1. Explain the classification of Receipts in Government budget.
2. Explain the classification of Public expenditure.
3. Analyse the impacts of changes in taxes on consumption and output with diagram.
4. 'GST: One Nation, One Tax, One Market'. Discuss.

**VII. Assignment and project Oriented Question. (5 Marks)**

1. Prepare Surplus/ Deficit / Balanced budget on monthly income and expenditure of your family.

[Note: Either of Surplus / Deficit / Balanced budget any one should be asked in examination.]

(For blind students only: Write the meaning of Surplus budget, Deficit budget and Balanced budget)

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## CHAPTER – 6: OPEN ECONOMY MACROECONOMICS

### I. Choose the correct answer. (Each question carries 1 mark)

- The consumers and producers can choose between domestic and foreign goods, this market linkage is called
  - Financial market linkage
  - Output market linkage
  - Labour market linkage
  - Exchange market linkage
- The price of one country's currency in terms of foreign currency is called
  - Foreign exchange control
  - Interest rate differential
  - Foreign exchange rate
  - Purchasing power parity
- The Balance of payments record these transactions between residents and with the rest of the world
  - Goods
  - Services
  - Assets
  - All of the above
- The market in which national currencies are traded is called
  - Goods market
  - Gold market
  - Foreign exchange market
  - Financial market
- The exchange rate determined by the market forces of demand and supply is called as
  - Fixed exchange rate
  - Dirty floating exchange rate
  - Flexible exchange rate
  - Goods exchange rate

### II. Fill in the blanks. (Each question carries 1 mark)

- \_\_\_\_\_ is the record of trade in goods and services and transfer payments.
- \_\_\_\_\_ account records all international transactions of assets.
- Errors and \_\_\_\_\_ are the third element of Balance of payments.
- An increase in the price of foreign currency in terms of domestic currency is called \_\_\_\_\_ of domestic currency.
- \_\_\_\_\_ is a mixture of a flexible and fixed exchange rate system.

### III. Match the following. (Each question carries 1 mark)

A	B
1) Investment	a) Dirty floating
2) Balance of payments	b) Flexible exchange rate
3) Balance of trade	c) Capital account
4) Floating exchange rate	d) Trade in goods
5) Managed floating	e) Trade in goods and services



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

1. What do you mean by Open economy?
2. What is Foreign Exchange rate?
3. What do you mean by net invisibles in Balance of Payments?
4. What do you mean by Fixed Exchange rate?
5. What is Appreciation of domestic currency?
6. Give the meaning of Devaluation of currency.
7. State the meaning of Revaluation of currency.

**V. Answer the following questions in about 4 sentences.(Each question carries 2 marks)**

1. How imports and exports act as leakage and injection in the circular flow of money?
2. What are the types of Balance of Trade?
3. When do surplus and deficit arises in Capital account?
4. What are Official reserve transactions? State their importance in the Balance of payments.
5. Distinguish between autonomous transaction and accommodating transaction.
6. Name the three accounts of Balance of Payments according to new classification of RBI.
7. Why do people demand Foreign exchange?
8. Who are the major participants in the Foreign exchange market?
9. Distinguish between appreciation and depreciation of currency.
10. Name two barriers of Foreign Trade.

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

1. Explain the three linkages of Open economy.
2. Explain the concept of Balance of trade.
3. Write the Current account components chart of Balance of Payments.
4. Write the Capital account components chart of Balance of Payments.
5. How the Interest Rate differential determine the Exchange rate? Explain.
6. How the Speculation and Income of consumers determine the Exchange rate?

**VII. Answer the following questions in about 20 sentences. (Each question carries 6 marks)**

1. Describe the Balance of payments accounts.
2. Illustrate the effect of an increase in demand for imports in the foreign exchange market with the help of diagram.

3. How the Purchasing Power Parity (PPP) theory is used to make long run prediction of exchange rates in Flexible exchange rate system?
4. Briefly explain the foreign exchange market with fixed exchange rates based on a diagram.
5. List out the merits and demerits of Flexible and Fixed exchange rate system.

**VIII. Assignment and project Oriented Question. (5 Marks)**

1. Name the currencies of any five countries of the following.  
USA, UK, Germany, Japan, China, Argentina, UAE, Bangladesh, Russia.

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