

# Solutions to all 9 POQ

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

1. A consumer wants to consume two goods, the price of good X<sub>1</sub> is Rs.10 and the price of good X<sub>2</sub> is Rs.20. The consumer's income is Rs.100. Answer the following.

- How many X<sub>1</sub> goods a consumer can consume if the entire income is spent on that good? Ans:  $100/10 = 10$  X<sub>1</sub> goods
- How many X<sub>2</sub> goods a consumer can consume if the entire income is spent on that good? Ans:  $100/20 = 5$  X<sub>2</sub> goods
- Is the slope of budget line downward or upward?  
Ans: the slope of budget line downward
- Are the bundles on the budget line equal to the consumer income or not?  
Yes, the bundles on the budget line equal to the consumer income
- If consumer wants to have more of X<sub>1</sub> good, X<sub>2</sub> good has to be given up. Is it true? Ans: True

2. Find the missing products in the following table.

Factor (L)	TPL	MPL	APL
0	0	0	0
1	10	10	10
2	22	12	11
3	36	14	12
4	44	08	11
5	50	06	10

3. 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.

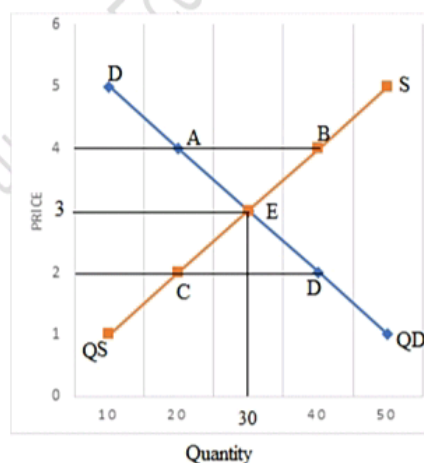
Quantity sold (Q)	Market Price (P)	TR (P x Q)	MR	AR
0	60	0	0	0
1	60	60	60	60

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2	60	120	60	60
3	60	180	60	60
4	60	240	60	60
5	60	300	60	60

4. 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



Equilibrium Point = E  
 Equilibrium price = 3  
 Equilibrium quantity = 30  
 Excess Demand = CD  
 Excess Supply = AB

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

Production Levels	Total Production	Intermediate Goods used	Value Added
Wheat (Farmer)	500	0	500

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Flour (A Miller)	800	500	300
Bread (Baker)	1100	800	300
Retail Shop (Seller)	1300	1100	200
Gross Value Added (GVA)			1300

## 6. Write about the impact of 2016 Demonetisation on Indian economy.

The withdrawal of a coins and notes from the use as legal tender is called demonetization. In November 2016 to tackle the problem of corruption, black money, terrorism and circulation of fake currency in the economy.

### Steps taken by the government for demonetization:

- 1) Old currency notes of Rs 500 and Rs 1000 were no longer legal tender. New currency notes in the demonetization of Rs500 and Rs 2000 were launched.
- 2) The public were advised to deposit old currency notes in their bank account till 31 December 2016 without any declaration and upto 31 March 2017 with RBI with declaration.
- 3) Further to avoid a complete breakdown and cash crunch, notes government had allowed exchange of Rs 4000 old currency the by new currency per person and per day.
- 4) Further till 12 December 2106, old currency notes were acceptable as legal tender at petrol pumps, government hospitals and for payment of government dues, like taxes Electrical bills etc.

### Criticism of Demonetization:

- 1) There were long queues outside banks and ATM booths.
- 2) The shortage of currency in circulation had an adverse impact on the economic activities. However, things improved with time and normally returned.

## 7. 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	15	0
10	10	10	20	10
20	15	10	25	20
30	20	10	30	30
40	25	10	35	40
50	30	10	40	50

## 8. Prepare Surplus/ Deficit / Balanced budget on monthly income and expenditure of your

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family.

Family Budget (Balanced )			
Monthly Income	In Rs.	Monthly expenditure	In Rs.
Salary	25000	Food and cloths	10000
Income from farming	10000	House Rent	6000
Income from dairy	5000	Education	15000
Wages	3000	Health	10000
Income from business	12000	Transport	6000
		other	8000
Total income	55000	Total expenditure	55000
Cash Balance	0		

Family Budget (Surplus )			
Monthly Income	In Rs.	Monthly expenditure	In Rs.
Salary	25000	Food and cloths	8000
Income from farming	10000	House Rent	6000
Income from dairy	5000	Education	12000
Wages	3000	Health	5000
Income from business	12000	Transport	4000
		other	5000
Total income	55000	Total expenditure	40000
Cash balance (Savings)	15000		

Family Budget (Deficit)			
Monthly Income	In Rs.	Monthly expenditure	In Rs.
Salary	25000	Food and cloths	12000
Income from farming	10000	House Rent	8000
Income from dairy	5000	Education	13500
Wages	3000	Health	8500
Income from business	12000	Transport	6000
		other	9000
Total income	55000	Total expenditure	57000
Cash balance (Deficit)	-2000		

## 9. Name the currencies of any five countries of the following

USA	Dollar
UK	Pounds sterling
Germany	Euro
Japan	Yen
China	Renminbi
Argentina	Peso
UAE	Diram

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Bangladesh	Thaka
Russia	Rubel