



Answer Key

Duration 3.00 Hours

Total Marks : 100

- N.B. : a) All questions are **compulsory**.
b) Each question carries **equal (20) marks**.
c) Draw neat diagrams wherever necessary.

Q1. Answer **any two** of the following:

- a) One of the fundamental principles – meaning and explanation of concept of opportunity cost and identification- three examples.
- b) 'Rational people think on the margin' – fundamental principle – meaning and concept of margin – explanation with three examples.
- c) Meaning and explanation of the concept of 'market failure' - when are markets efficient and why they sometimes fail - two examples.

Q2. Attempt **any two** of the following:

- a) Meaning and explanation of concept of an economic model – scientific method - example of Circular Flow of Income model – diagrammatic illustration.
- b) Microeconomics – concept and explanation - Macroeconomics - concept and explanation – difference in the two approaches - three examples.
- c) Given $Y = 5 + 0.5 X$ choosing an appropriate range and plotting graphically – positive slope.

Q3. Attempt **any two** of the following :

- a) Graphical illustration and explanation for individual and market demand schedules.

Price (in Rs.)	Individual 1 Quantity (in units)	Market Quantity (in units)	Individual 2 Quantity (in units)
75	3	5	2
60	5	10	5
45	7	15	8
30	9	20	11
15	11	25	14

Q 2

b] Graphical illustration and explanation for the steps to analyze the changes in equilibrium when the supply curve shifts to the left.

c] Meaning and explanation of concept of 'price floor' and identification for when it is effective – with graphical illustration.

Q4. Attempt **any two** of the following:

a] 'Individuals gain from trade'- Explanation on Adam Smith's 'Absolute Cost Advantage' principle.

b] Given two countries A and B, producing two goods radios and tablets , the schedule of cost of production is as per the table below ;

Countries	Hours needed to produce 1 unit of the good	
	Radios	Tablets
A	40 hours / unit	40 hours / unit
B	80 hour / unit	40 hours / unit

i) (20 units of radios & 20 units of tablets – Country A)
(10 units of radios & 20 units of tablets – Country B)

ii) Graphical illustration of production possibility curves of both these countries – explanation on relation between the PPF and opportunity costs – principle of comparative cost advantage.

c] Trade policies in International trade – meaning and types – meaning and characteristics of policy of 'Protection' – explanation on merits and demerits.

Q5. Attempt **any two** of the following:

a] Explanation on the concept of 'public goods' – features - two examples.

b] Steps in the scientific method in economic analysis – example.

c] Explanation on changes and variations in demand- identification using graphical illustration.

d] Explanation on concept of 'Comparative Cost Advantage' – Relation between comparative cost advantage and opportunity cost using two examples.
