

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.

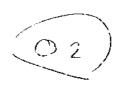
Q2. Attempt <u>any two</u> of the following:

- 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 <u>any two</u> 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



- 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;

Hours needed to produc	1 unit of the good
Radios	Tablets
40 hours / unit	40 hours / unit
80 hour / unit	40 hours / 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 onrelation 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.
