

Answer Key –Q.P Code : 00024678

Q1. a. In view of marginal benefit, comment on the pricing of water and diamond (सीमांत लाभाच्या दृष्टीकोनातून पाणी आणि हिरा यांच्या किमतींवर भाष्य करा).

Based on the principle: 'People think at the margin'- paradox (utility high but price lower for water and vice-versa for diamond)- price based on marginal benefit (additional piece of diamond in the collection gives higher utility or marginal benefit & thus higher price and vice-versa for water that has lower price).

b. 'People respond to incentives'- Discuss ('माणसे चालनांना प्रतिसाद देतात' चर्चा करा).

Meaning of incentive (Induces to act, changes behavior) - types of incentives (positive & negative- examples.

c. Explain the role of government in improving market outcomes (बाजार निष्पत्ती सुधारणेत सरकारची भूमिका स्पष्ट करा).

Briefly about why markets fail- role of government (Enforce rules, law & order, market failure, equitable distribution) - 2-3 examples of government intervention for efficiency & equity (say PDS, MRTP Act, subsidies etc).

Q.2 Attempt any TWO of the following.

a. Explain Circular Flow of Income as an Economic Model. ('उत्पन्नाचा चक्रीय प्रवाह' हे अर्थशास्त्रीय प्रतीमान स्पष्ट करा.)

Two sector model of Circular Flow of Income - Business and Households - Factor and Product Market - Interrelationship of the sectors and markets with each other - Diagram

b. What is role of assumptions in Economics? (अर्थशास्त्रामध्ये गृहीतकांची भूमिका काय?)

To simplify the complex world and make it easier to understand - The art of scientific thinking is deciding which assumptions to make - Different assumptions are used to answer different questions - Suitable examples wherever necessary

c. Consider the function: $Y = 20 + 4X$. Take 5 different values of X and find Y. Draw a

graph with the help of those values.($y = 20 + 4x$ क्ष हे फलन लक्षात घेउन व 'क्ष'ची ५ मूल्ये घेउन 'य' काढा. त्या मूल्यांच्या आधारे आलेख काढा).

X	0	1	2	3	4	5
$Y = 20 + 4x$	20	24	28	32	36	40

Plot a graph with the help of these numbers.

Q3. A] Explain relationship between price elasticity of demand and total revenue.(मागणीची किंमत लवचिकता आणि एकूण प्राप्ती यातील संबंधाचे विश्लेषण करा.)

Elasticity concept- revenue concept- total revenue- relationship between elasticity and revenue.

Change in Price	Change in Total Expenditure	Price elasticity
(i) Falls/rises	No Change	1
(ii) Falls	Rises	More than 1
(iii) Rises	Falls	More than 1
(iv) Falls	Falls	Less than 1
(v) Rises	Rises	Less than 1

B] Define supply and explain law of supply with the help of supply schedule and supply curve. (पुरवठ्याची व्याख्या सांगून पुरवठा तक्ता व पुरवठा वक्राच्या आधारे पुरवठ्याचा नियम स्पष्ट करा)

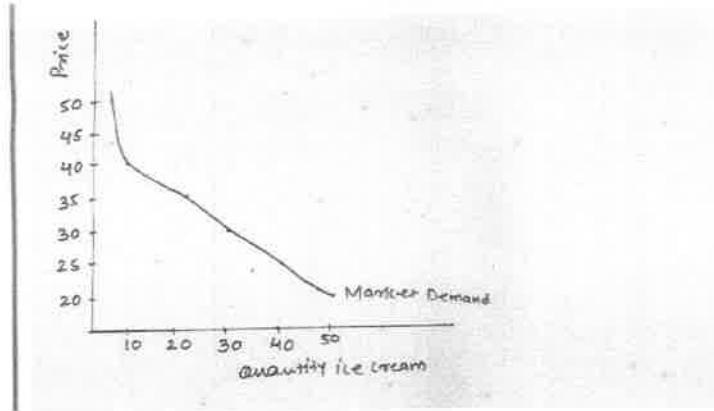
Statement of law- Hypothetical schedule prepared by students showing price -supply relationship- Upward sloping supply curve on the basis of schedule.

C] Following is demand schedule for ice cream.

i) Prepare market demand Schedule (बाजारपेठीय मागणीचा तक्ता तयार करा.)

Price	Anu	Ramesh	Shreya	Market demand
20	12	15	20	12+15+20= 47
25	10	13	18	10+13+18=41
30	05	10	16	5+10+16 = 31
35	01	08	14	1+8+14 = 23
40	00	03	10	0+3+10=10
50	00	00	5	0+0+5=5

ii) Draw the market demand curve. (बाजारपेठीय मागणी वक्र काढा)



Q4 a) Absolute Cost Advantage Principle. (निरपेक्ष खर्च लाभ तत्त्व).

Cost Advantage --- Foundation -- Specialisation --- Trade -- Exchange ----Adam Smith----Absolute Difference in Cost--- Each Country Specializes in the production of that commodity in which they have an absolute superiority in terms of cost--- Example--- Exchange --Table----Explanation.

b) Anand is producing 6 movies or 12 music albums in a year, while Vijay is producing 3 movies and 10 music albums in a year.

i. Diagrams of PPF for both. (दोघांचे उत्पादन शक्यता वक्र).

ii. Who is having Comparative advantage? In which genres should each of them specialize? (ह्या दोघांपैकी कुणाला तुलनात्मक खर्च लाभ जास्त आहे? दोघांनी कशाचे उत्पादन करावे?).

Anand 360/6= 60 Days per Movie 360/12 = 30 Days per Music Album
Vijay 360/3 =120 Days per movies 360/10= 36 Days per Music Album

Anand's advantage in movies is greater (cost is lower) 60 days < 120 days or productivity is higher 6 > 3.

Vijay's disadvantage is lower in music albums 36 days – 30 days= 6 days more only or productivity is lower by 2 (12- 10 music albums) only.

Anand has comparative cost advantage in producing Movie & Vijay in producing Music Albums.

c) Arguments in favor of Free Trade Policy. (मुक्त व्यापाराचे फायदे कोणते?).

Equal distribution of resources ---- Technical growth ----- Increase in Productivity ----
Growth in the economy--- Exchange of ideas and increased flow---- Increase in
Competition ---Availability of product differentiation---Improves standard of living ---
Situation for surplus Production.

Q5. a. Explain the nature of trade-off between inflation and unemployment (भाववाद व बेरोजगारी यांतील परस्परविरोधी संबंधाचे स्वरूप स्पष्ट करा).

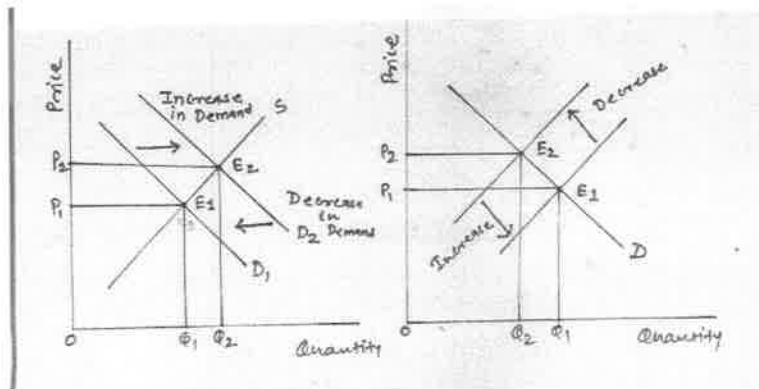
Society faces a short-run tradeoff between inflation and unemployment- conflicting in nature-explanation of why the trade- off occurs (High money supply- high spending capacity- higher demand for goods & services- more output & more workers hired- so low unemployment)- mention of Phillips curve (Choice: high inflation & low unemployment and vice versa).

b. Micro and Macro Economics (सूक्ष्मलक्षी व समग्रलक्षी अर्थशास्त्र)

Definitions of Micro and Macro Economics - Micro and Macro Economics are interrelated - Micro and Macro Economics are distinct - Suitable examples

c. Define market equilibrium. Explain changes in market equilibrium caused by changes in the demand and supply forces with the help of diagrams. (बाजारपेठीय समतोलची व्याख्या लिहा. मागणी आणि पुरवठा प्रवाहातील बदलांमुळे बाजारपेठीय समतोलत होणाऱ्या बदलांचे आकृतीच्या आधारे विश्लेषण करा.)

1. Definition- Market equilibrium
2. Diagram.



d) Opportunity Cost Advantage Principle. (संधी खर्च संकल्पना स्पष्ट करा).

OCAP—foundation for International Trade—Specialization in Production

Second best alternative of goods—Table—Explanation – Production Possibility Curve – Diagram.
