



NEW HORIZON PRE UNIVERSITY COLLEGE

New Horizon PU College 'A' Grade College, Accredited by Karnataka PU Board

MODEL PAPER 1

SUBJECT: ECONOMICS

TIME : 3 HOURS

MARKS: 100

PART – A

I. Choose the correct answer:

5x1 =5

- Central problems of an economy includes
 - What to produce
 - How to produce
 - For whom to produce
 - All of the above
- A vertical demand curve is
 - Perfectly elastic
 - Perfectly inelastic
 - Unitary elastic
 - None of the above
- Measuring the sum total of all factor payments will be called
 - Product method
 - Expenditure method
 - Income method
 - none of the above
- The main function of money is
 - Saving
 - expenditure
 - medium of exchange
 - investment
- Consumption which is independent of income is called
 - Induced consumption
 - Autonomous consumption
 - Wasteful consumption
 - Past consumption

II. Fill in the blanks:

5x1 =5

6. The demand for a good moves in the _____ direction of its price.
7. Marginal product and Average product curves are _____ in shape.
8. For price taking firm marginal revenue is equal to _____
9. A part of revenue is paid out as _____ for the service rendered by land.
10. _____ issues coins in India.

III. Match the following:

5x1 =5

- | 11. A | B |
|------------------------------|----------------------------------|
| 1. Centrally planned economy | a) Perfect information |
| 2. Indifference map | b) Wages |
| 3. Perfect competition | c) Government |
| 4. Labour | d) Intermediate good |
| 5. Raw material | e) A family of indifferent curve |

IV. Answer the following question in a sentence/word.

5x1 =5

12. Expand MRS.
13. What is total fixed cost?
14. Give the meaning of imports.
15. How do we get personal disposable income?
16. What do you mean by barter system?

PART – B

V. Answer any NINE of the following questions in 4 sentences each.

9x2 =18

17. Distinguish between positive and Normative Economics.
18. Mention two different approaches which explain consumer behavior.
19. What do you mean by inferior goods? Give example.
20. What do you mean by price elasticity of demand?
21. Give the meaning of the concept of short-run and long run.
22. What are long run costs?
23. Give the meaning of shut down point.
24. What are the features of capitalistic economy?

25. What is the difference between consumer goods and capital goods?
26. What do you mean by externalities? Mention its two types?
27. Write the difference between nominal and real GDP.
28. Mention two motives of demand for money.
29. Give the meaning of investment multiplier. Write its formula.
30. Give the meaning of Paradox of thrift.

PART – C

VI. Answer any SEVEN of the following questions in 12 sentences each.

7x4 =28

31. Write a short note on a market economy.
32. Explain the derivation of slope of budget line with a diagram.
33. Write the differences between substitutes and complements.
34. The following table gives the TP_L . Find the AP_L and MP_L .

TP_L	0	15	35	50	40	48
L	0	1	2	3	4	5

35. Write a short note on profit maximization of a firm under the following conditions
 - a) $P=MC$
 - b) MC must be non-decreasing at q_0
36. Explain the determinants of a firm's supply curve.
37. Briefly explain in what way Macro Economics is different from Micro Economics.
38. Write a short note on the concept of final good.
39. Explain the examples of planned accumulation and decumulation of inventories.
40. Write a note on legal definitions of money.
41. Briefly explain the consumption function.

PART – D

VII Answer any FOUR of the following questions in 20 sentences each.

4x6 =24

42. Explain the law of diminishing marginal utility with the help of a table and diagram.
43. Explain the various short run costs
44. Explain the total revenue and marginal revenue of a firm under perfect competition with the help of diagrams.
45. Explain the Macro Economic identities.
46. Write down the limitations of using GDP as an index of welfare of a country.
47. Requirement of reserves acts as a limit to money (credit) creation. Explain

48. Explain the multiplier mechanism.

PART – E

VIII. Answer any TWO of the following project oriented questions.

2x5 =10

49. A consumer wants to consume two goods. The Price of Bananas is Rs 5 and the price of mango is Rs.10 The consumer income is Rs 40.

- a) How much Bananas Can she consume if she spend her entire income on that good?
- b) How much mangoes can she consume if she spend her entire income 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's income or not?
- e) If you want to have more of Bananas you have to give up mangoes. Is it true?

50. Compute the total revenue, marginal revenue and average revenue schedules in the following table when market price of each unit of good is RS 10.

Quantity sold	TR	MR	AR
0			
1			
2			
3			
4			
5			
6			

(For blind students only)

Explain the meaning of Total Revenue-TR, Marginal Revenue-MR and Average Revenue-AR

51. Write a note on Demonetization.
