

ECONOMICS

20671866

Maximum Marks: 80

Time Allotted: Three Hours

Reading Time: Additional Fifteen Minutes

Instructions to Candidates

1. You are allowed an **additional fifteen minutes** for **only** reading the question paper.
2. You must **NOT** start writing during reading time.
3. This question paper has **11 printed pages and one blank page**.
4. There are **thirteen** questions in the paper. All questions are compulsory.
5. This paper is divided into **three sections: A, B and C**.
6. **Section A** has **sixteen subparts** which are very short answer questions. Each question carries 1 mark.
7. While attempting **Multiple Choice Questions** in **Section A**, you are required to **write only ONE option as the answer**.
8. **Section B** has **eight questions** which are short answer questions. Each question carries 4 marks.
9. **Section C** has **four questions** which are long answer questions. Each question carries 8 marks.
10. **Internal choices** have been provided in **two questions in Section B** and in **one question in Section C**.
11. The intended marks for questions are given in brackets [].

SEAL

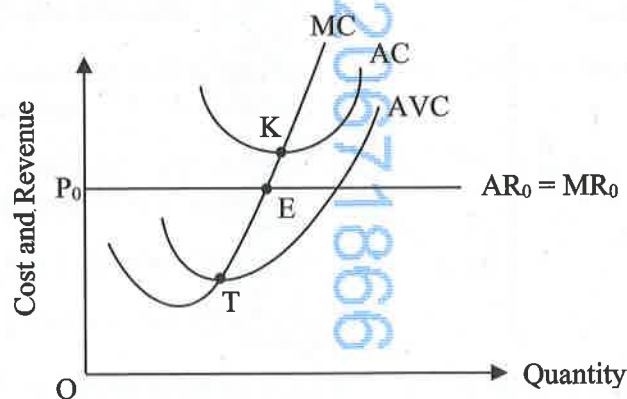
Instruction to Supervising Examiner

1. Kindly read **aloud** the Instructions given on page 1 to all the candidates present in the examination hall.
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SECTION A – 16 MARKS

Question 1

- (i) A firm produces either a homogeneous or a differentiated product in: [1]
- oligopoly.
 - monopsony.
 - perfect competition.
 - monopolistic competition.
- (ii) Demand curve for a commodity will be negatively sloped but *steeper* when the demand rises by 15% due to a fall in its price from ₹ 40 to: [1]
- ₹ 38.
 - ₹ 36.
 - ₹ 34.
 - ₹ 32.
- (iii) Refer to the diagram given below and choose the correct statement. [1]



- K is the equilibrium point as $MC = AC$.
 - $MC = AVC$ at T and firm enjoys normal profit.
 - E is the equilibrium point, but the firm stops production due to loss.
 - E is the equilibrium point as both the equilibrium conditions have been satisfied.
- (iv) ICB Bank receives a cheque of ₹ 25,000 from Azim Bank. ICB Bank settles its claim through the central bank of the country. [1]
- Which one of the following functions of central bank is indicated here?
- Lender of last resort
 - Clearing house facility
 - Controller of money supply
 - Fiscal agent of the government

- (v) Observe the images shown below that represent two types of government expenditure. [1]



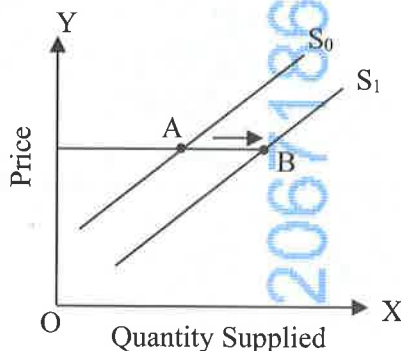
Image 1



Image 2

Which one of the following statements is correct about government expenditure?

- (a) Image 1 leads to a reduction in asset and causes capital expenditure.
 - (b) Image 2 leads to an increase in asset and causes capital expenditure.
 - (c) Image 1 leads to an increase in liability and causes revenue expenditure.
 - (d) Image 2 leads to a reduction in liability and causes revenue expenditure.
- (vi) Which one of the following scenarios depicts the movement from A to B shown in the diagram below? [1]



- (a) Rise in supply of tomato due to an increase in its price
 - (b) Rise in supply of t-shirts of Brand Z following a fall in its price
 - (c) Fall in supply of fertilisers due to reduction in subsidy by the government
 - (d) Rise in supply of television by MG Electronics due to the use of Artificial Intelligence in its manufacturing
- (vii) Which one of the following will be included in Capital Account of Balance of Payments of India? [1]
- (a) Mohan received interest on his fixed deposit in a bank in Singapore.
 - (b) ABL Computers imported microprocessors from the USA for \$ 3,60,000.
 - (c) Rush Ltd., a foreign car company, invested in India for production of cars.
 - (d) People from neighbouring countries spent money on medical treatment in India.

- (viii) Given below are two statements marked Assertion and Reason. Read the statements carefully and choose the correct option. [1]

Assertion: Demand curve slopes negatively.

Reason: Law of demand is based on the assumption that money income remains unchanged despite the change in price of a commodity.

- (a) Both Assertion and Reason are true and Reason is the correct explanation of Assertion.
- (b) Both Assertion and Reason are true but Reason is not the correct explanation of Assertion.
- (c) Assertion is true and Reason is false.
- (d) Both Assertion and Reason are false.

- (ix) Given below are two statements marked Assertion and Reason. Read the statements carefully and choose the correct option. [1]

Assertion: M_0 is the monetary liability of Reserve Bank of India.

Reason: Reserve Bank of India controls credit whereas Commercial Bank can only create credit.

- (a) Both Assertion and Reason are true and Reason is the correct explanation of Assertion.
- (b) Both Assertion and Reason are true but Reason is not the correct explanation of Assertion.
- (c) Assertion is true and Reason is false.
- (d) Both Assertion and Reason are false.

- (x) In the Ordinal Utility Analysis, the budget line cannot slope positively. Defend or refute the statement with a reason. [1]

- (xi) Why is Indian currency regarded a fiat money? [1]

- (xii) What is *demand pull inflation*? [1]

- (xiii) A firm under perfect competition faces a perfectly elastic demand curve whereas the demand curve faced by it under monopolistic competition is less than perfectly elastic. Justify the statement. [1]

- (xiv) State *any two* features of a Monopsony market. [1]

- (xv) In the Union Budget for the year 2025-26, Goods and Services Tax (GST) on soaps has been fixed at 18%. Why is this tax regressive in nature? [1]

- (xvi) Explain how deficit in Balance of Payments can be corrected by raising domestic rate of interest on savings. [1]

SECTION B – 32 MARKS

Question 2

- (i) In Hunan province of China, when the price of rice was lowered through a subsidy, the demand for rice had decreased. However, when subsidy was removed, the demand for rice had increased because rice is the staple food in Hunan. [2]

Has Law of Demand been followed in the above situation? Give a reason for your answer.

- (ii) Lisa's family consumes the following commodities on three different days in a week: [2]

- 8 garlic breads and 2 pizzas on Monday
- 5 garlic breads and 3 pizzas on Thursday
- 3 garlic breads and 4 pizzas on Friday

The family derives the same level of satisfaction from these combinations.

Does this phenomenon ensure the convexity of Indifference curve? Justify your answer.

Question 3

- (i) During the last pandemic, many state governments in India enforced price legislation by capping prices on treatment of COVID-19 at private hospitals and later on the sale of masks and sanitisers. [2]

Explain the type of price legislation followed by the state governments. Indicate it in a diagram.

- (ii) Study the data given below and answer the questions that follow. [2]

Output (Units)	1	2	3	4	5	6
TVC	20	32	40	45	52	62

- (a) Calculate Marginal Cost (MC).
(b) State the nature of the MC curve and draw it.

Question 4

- (i) A firm under perfect competition is able to sell its product at a price of ₹ 80. It incurs a cost of ₹ 65 per unit in the short run. [2]

What type of situation is experienced by the firm here? Show it in a diagram.

- (ii) Briefly explain the implications of each of the following: [2]
- (a) Intense competition in oligopoly
 - (b) Selling cost under monopolistic competition

OR

- (iii) How does *break-even point* differ from *shut down point*? Indicate break-even point in a diagram. [2]
- (iv) What type of market structure does the online delivery sector belong to? Explain with a suitable reason. [2]

Question 5

- (i) Seema went to a flower market to purchase some flowers for decorating her house. But she noticed that all the flower shops were selling the same type of flower, of the same quality and at the same price. [2]
- She thought that it was a monopolistic competitive market. Is this correct? Justify.
- (ii) A famous museum in India charges a high entry fee from the foreign tourists and low entry fee from Indian tourists. [2]
- (a) Identify and briefly describe the phenomenon evident here.
 - (b) Name the market in which the phenomenon referred to in subpart (a) is applicable.

Question 6

‘The outstanding internal and external debt and other liabilities of the Government of India at the end of 2025-2026 is estimated to be ₹ 196,78,772.68 crores.’

(Source: indiabudget.gov.in)

In this context, explain *any four* ways that can be adopted by the government to repay its liabilities. [4]

Question 7

- (i) Read the following transactions made by Country X in a year: [2]
- Foreign residents working in Country X send 3,00,000 euros to their families abroad.
 - Country X purchases computer software worth 5,00,000 euros from other nations.
 - Country X receives 1,00,000 euros as an aid for flood relief from neighbouring nations.

If Country X adopts revaluation, it will worsen the situation of Balance of Payments. Defend or refute the statement with a reason.

- (ii) Country A changed its import tariff from 7% to 17% on the goods from Country B. [2]

Which account of the Balance of Payments of Country B would be affected?
Explain the overall impact on Balance of Payments of Country B.

Question 8

- (i) State *any one* difference between each of the following: [2]
- (a) Gross National Disposable Income (GNDI) and Gross National Product at market price (GNP_{mp}).
 - (b) Private Income and Personal Income
- (ii) Why are pure exchange transactions **not** included in estimation of national income of a country? Write *any two* examples of pure exchange transactions. [2]

Question 9

- (i) 'The RBI on June 6, 2025 cut the repo rate by 50 basis points and the cash reserve ratio by 1000 basis points.' [2]

(Source: <https://economictimes.indiatimes.com>)

Briefly discuss how each of the above-mentioned measures can affect the money supply in the economy.

- (ii) One of the important functions of money is to assist the consumers in maximisation of utility. Explain. [2]

OR

- (iii) Sohail requires ₹ 3 lakhs to meet his business needs. He has ₹ 1 lakh in his current account. He decides to arrange the amount in the following ways: [2]

- (a) Withdrawing ₹ 1.75 lakhs from his current account.
- (b) Collecting the remaining amount as *cash credit*.

With reference to subparts (a) and (b), explain the credit facilities enjoyed by Sohail.

- (iv) M₃ measure of money supply is less liquid than that of M₂. Explain. [2]

SECTION C – 32 MARKS

Question 10

- (i) In a city, the price of NK Air Conditioners increased from ₹ 42,000 to ₹ 48,000 [2]
whereas the price of Carlo's Air Conditioners remained the same at ₹ 45,000,
which impacted the demand for both the products.

Explain with a reason whether it led to an expansion of / contraction of /
increase in / decrease in demand for each of the following:

- (a) NK Air Conditioner
(b) Carlo's Air Conditioner
- (ii) Study the schedule given below and answer the questions that follow.

Number of Strawberry Ice creams	1	2	3	4	5	6	7
Total Utility (Units)	55	100	140	170	185	185	170

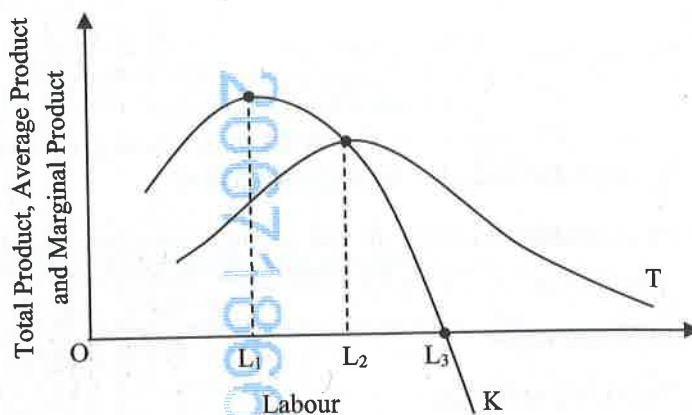
- (a) Which law is evident in the above schedule? What does the law state? [2]
(b) How many units of ice cream will be consumed when the price of an ice [2]
cream is ₹ 40? Substantiate your answer with a reason.
(c) How is Marginal Utility related to Total Utility till the point of satiety? [2]

Question 11

- (i) Raghavi was an IT professional and earned ₹ 30 lakhs per annum. She left her job [2]
and started organic farming in her village. She began to earn ₹ 20 lakhs per annum.

What would be the opportunity cost for Raghavi for shifting to organic farming?
Justify your answer.

- (ii) Observe the diagram given below and answer the questions that follow.



- (a) Identify the curves labelled 'K' and 'T'. Name the stage of return in operation within the range of employment, L_2L_3 . [2]
- (b) Producer is reluctant to produce in the stage of production depicted by the range L_2L_3 . Defend or refute the statement with a reason. [2]
- (c) Briefly explain *any two* reasons of operation of negative return to a factor. [2]

Question 12

- (i)
 - (a) Draw a well labelled diagram of circular flow of income for a mixed capitalist closed economy. [2]
 - (b) Mention *any two* money flows in circular flow of income in mixed capitalist closed economy. State the condition to ensure equilibrium with reference to the economic variables in this model. [2]
- (ii) Calculate National Income and NDP_{mp} from the following data: [4]

S.No.	Particulars	₹ (in crores)
(a)	Compensation of employees	700
(b)	Mixed income of self-employed	800
(c)	Rent	325
(d)	Profit	550
(e)	Net export	(-) 70
(f)	Consumption of fixed capital	175
(g)	Interest	400
(h)	Net indirect taxes	250
(i)	Net factor income from abroad	(-) 60

OR

- (iii) Briefly explain different steps involved in estimation of GDP_{mp} by Expenditure method. [4]
- (iv) Calculate GDP_{mp} and National Income from the following data: [4]

S.No.	Particulars	₹ (in crores)
(a)	Value of output of primary sector	1000
(b)	Value added of other sectors	250
(c)	Raw materials purchased by primary sector	650
(d)	Raw materials purchased by other sectors	100
(e)	Factor income from abroad	45
(f)	Factor income paid abroad	35
(g)	Depreciation	65
(h)	Indirect taxes	200
(i)	Subsidies	45

Question 13

Read the passage given below and answer the questions that follow.

Recently, Argentina has experienced a 25% surge in demand for its manufactured goods in global markets leading to a sharp increase in exports, particularly of electronics and consumer goods. Simultaneously, the Argentine government has ramped up its infrastructure by spending an additional \$50 billion into the economy.

The country was already operating at full employment. As a result of booming exports and government spending, aggregate demand has increased.

Due to this excessive demand, the prices of food, housing, and energy have increased by an average of 32 percent over the past six months, resulting in significant inflationary pressure on the economy.

(Source (edited): <https://tradingeconomics.com>)

- (i) Identify and explain the economic phenomenon referred to above. [2]
- (ii) Draw a well labelled diagram depicting the economic phenomenon referred to in subpart (i). [2]
- (iii) Explain *any one* monetary measure that can help resolve the economic crises like inflation and recession. [2]
- (iv) 'Argentine government has ramped up its infrastructure by spending an additional \$50 billion into the economy.' [2]
State whether this is an induced or an autonomous investment expenditure. Explain.