

Time : 03 hours

Answer **five** questions including question number **one** and selecting at least **two** questions from each part.

01. Give short answer for all questions in this part.

- (a) What do you understand by the concave shaped production possibility curve.
- (b) State three factors which shift the production possibility curve to the left.
- (c) Distinguish a shortage in supply and excess in supply.
- (d)  $D_x = f(P_x)$  Explain this equation.
- (e) Define the total utility of 'X' commodity.
- (f) What are the fundamental problems?
- (g) Explain briefly the factors which determine supply of commodity 'A'?
- (h) What do you understand by the term 'Whom to produce'?
- (i) What do you mean by 'mixed economy'?
- (j) Briefly explain the kinds of money?
- (k) Distinguish between Gross Domestic Product and Gross National Product.
- (l) Give three advantages of National Income Accounting.
- (m) Give three disadvantages of a Barter system
- (n) What do you understand by a two sector model.

02. State whether the following statements are true or false. Give reasons for your answers.
- (a) The next best use of resources that must be fore gone in order to produce a good is called the opportunity cost.
  - (b) Sellers use the advertising to change the consumers tastes thus causing a shift in the consumer's demand curve.
  - (c) A change in the quantity demanded occurs only when the demand curve shifts.
  - (d) If the elasticity of demand is greater than one a rise in prices raises total revenue.
  - (e) Net National Product is the total market value of the all final goods and services produce in the economy.

(40 marks)

PART I

01. Firm 'B's demand and supply functions are given below.

$$Q_d = 2400 - 400/6 P$$

$$Q_s = -1400 + 700 P$$

- (a) Find the equilibrium price and quantity  
(05 marks)
- (b) What happens to the equilibrium if the government impose a tax of two rupees for the above commodity.  
(05 marks)
- (c) What is the demand elasticity when the price increase from 08 rupees to 10 rupees.  
(05 marks)

02. (a) What is the price elasticity of supply.  
(b) Explain shift and movement in supply.  
(c) What do you mean by the term 'substitute goods'  
(15 marks)

03. Explain the following  
(a) Price mechanism  
(b) Cross elasticity  
(c) Capitalist system

PART II

04. (i) What do you understand by the term 'Circular flow of income'  
(ii)  $Y = C$  explain this equation and what are the limitations for this model.  
(iii) Distinguish between personal Income and per capita income.  
(15 marks)
05. (i) Differentiate Money National Income and Real National Income.  
(08 marks)  
(ii) What do you mean Disposable Income explain  
(07 marks)
06. (i) What are the primary functions of money, explain.  
(10 marks)  
(ii) What do you understand by the term 'Substitute money'  
(05 marks)