Model questions

Unit 1: Each questions weight 5 marks.

1. Define microeconomics. And describe its scope.
2. Analyze the concept of market economy, planned economy and mixed economy.
3. How Robbins definition of economics is helpful to solve the problem of scarcity and choice.
4. Describe the concept of opportunity cost with a suitable example and derive a production possibility curve with hypothetical table of society’s resources expenditure on parliament election and the vaccine against covid-19 pandemic.

Unit 2

1. Describe the law of demand with suitable example and also list out the exception of law of demand.
2. Explain the factors determinants of demand.
3. Suppose there are 100 identical consumers in the market for the commodity X, each with demand function Qdx = 190 – 5Px, and 50 identical producers of that commodity X, each with a supply function Qsx = 20 + 2Px.
4. Find the market demand and market supply function and determine the equilibrium price and equilibrium quantity in the market.
5. What happens in the equilibrium price and quantity if income of the all the consumer increases equally?
6. What will be the effect of increase in indirect taxes imposed by government to the producers on the market equilibrium?
7. What is price elasticity of demand? How is it measured with the help of point method?
8. Consider the following schedule

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Points | A | B | C | D | E |
| Px: | 2 | 4 | 6 | 8 | 10 |
| Qdx: | 100 | 80 | 60 | 40 | 20 |
| Qsx: | 20 | 40 | 60 | 80 | 100 |

1. Compute price elasticity of demand at equilibrium price.
2. Compute price elasticity of supply at movement from B to D and D to B by percentage method.
3. Compute price elasticity of supply at midway between B to D and D to B by arc method.
4. Explain the consumers’ and producers’ surplus with table and figures as well.
5. What will be the effect of price ceiling and price floor in the market equilibrium price and quantity, with graph?

Unit 3

1. List out the difference between cardinal and ordinal utility approach.
2. What do you mean by the marginal rate of substitution (MRS), why it is diminishes?
3. What do you mean by indifference curve, and also describe its properties.
4. Why indifference curve has some unique shape like L-shape and straight line? Derive with suitable table as well as curve.

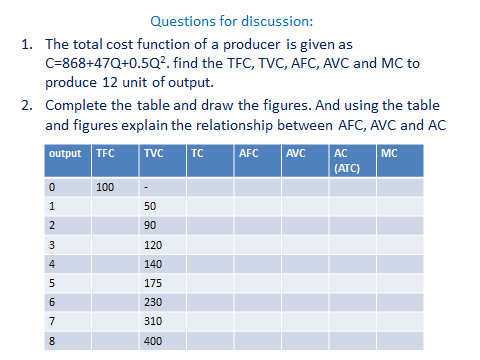
Unit 4 Theory of Production

1. What do you mean by production function? Explain the features of Cobb-Douglas production function.
2. Explain the law of variable proportion/ law of diminishing marginal productivity or returns, with a suitable example.
3. Find the TP, AP and MP from 0 to 5 units of output level from the following equation

Q=10L + 5L2 – L3 and also describe the stages of law of variable proportion with their reasons.

1. What is the condition for optimum employment of one variable input? Explain.
2. Define Iso-quant with its properties. And also describe about the L shaped and linear shaped of Isoquant.
3. Explain the concept of Iso-cost line with the causes of shift, its equation and slope.
4. Explain producers equilibrium/least cost combination/optimum employment under two variable inputs.
5. Explain law of returns to scale with its causes.

Unit 5 Cost and Revenue

1. What is meant by cost? Explain the different concept of costs i.e opportunity cost, implicit cost, explicit cost.
2. Distinguished fixed cost and variable cost, And short run and long run cost
3. Describe the relationship between MC and AC.
4. Describe the relationship between AP and AC and MP MC.
5. Derive the LAC and LMC and why LAC is U shaped give the reasons?
6. Derive empirical average cost curve. Why it is L-shaped give reasons?
7. Introduced the concept of total revenue TR, average revenue AR and Marginal revenue MR in perfect competition and imperfect competition.
8. Describe the relationship between AR and MR.
9. Describe the relationship between price elasticity of demand and revenue curves.

Unit 6: Market structure

1. Define perfect competition and describe its characteristics.
2. Define monopoly and describe its features.
3. Define monopolistic competition and describe its features.
4. Define oligopoly and explain its characteristics.
5. Explain the price output determination process with TR and TC approach in prefect competition and imperfect competition when the objectives of the firms are profit.
6. Explain the price output determination of profit maximizing firms with MR, MC approach in both perfect competition and imperfect competition.
7. How price and output is determined by the firm and industry under perfect competition in the short-run.
8. Explain the price output determination process under the perfectly competitive market in the long run.
9. What is price discrimination? Explain the conditions for price discrimination.
10. What are the reasons to exist monopoly? How price and output is determined in the short run and long run? Explain.
11. Explain the equilibrium condition of firm in the monopolistic competition.
12. What is cartel? How price and output is determined under centralized cartel?

Unit 7: National Income Accounting

1. Describe the concept is macroeconomics and its scope.
2. Define national income. And distinguished between GDP and GNP.
3. Why GDP is an important concept to evaluate the economic performance of a country? What are the difference between Real GDP and nominal GDP?
4. GDP deflator is a tool to evaluate inflation of a country. Justify it.
5. What are the components of expenditure method of measuring national income? Explain.
6. Explain the components of income method of measuring National income. List out the difficulties of measuring national income in developing countries.
7. Explain the product (final product and value added) method of measuring national income with suitable example.
8. Consider the following data for national accounts and compute a. GDP b. Depreciation (capital consumption allowances) c. domestic factor income receipts d. compensation of employee e. personal income f. personal income taxes. g. net exports.

|  |  |  |  |
| --- | --- | --- | --- |
| Items | ( in million Rs.) | items | (in million Rs) |
| Indirect business taxes | 296 | Disposable personal income | 2246 |
| Corporate profits | 202 | Net domestic product | 2872 |
| Corporate income taxes | 112 | Government expenditure on goods and services | 646 |
| Retained earnings | 48 | Transfer payments | 460 |
| Proprietors’ income | 146 | Social security contribution | 240 |
| Rents and interest earned (R+I) | 196 | Consumption expenditures | 2110 |
| exports | 36 | Gross investment | 440 |
| Imports | 20 |  |  |

Ans: (a) Rs. 3212 million (b) Rs. 340 (c) Rs. 2576 (d) Rs. 2032 (e) 2636 (f) 390 (g) 16

1. Consider the following figures of national income aggregates and (a) Compute GNP by income and expenditure method and compares the result. (b) Compute NI, personal income, disposable income and personal saving.

|  |  |  |  |
| --- | --- | --- | --- |
| description | Rs. In billion | description | Rs. In billion |
| Personal consumption expenditure | 11943 | Rental income | 264 |
| Net fixed investment | 1671 | Net interest | 682 |
| Change in private inventories | -2 | Corporate profits | 2059 |
| Exports | 1048 | Depreciation | 708 |
| Imports | 1540 | Indirect taxes | 739 |
| Government investment | 757 | Corporate dividends | 459 |
| Compensation of employees | 9186 | Social insurance payments | 1000 |
| Proprietors’ income | 946 | Current transfers | 3182 |
| Personal taxes | 413 |  |  |

Ans (a) Rs. 14583 (b) 13137, 13719, 13306, 1363

1. Consider the following data for national accounts

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Rs in milliom | description | Rs. In million |
| Business transfer payment | 288 | Personal consumption expenditure | 2582 |
| Proprietors income | 242 | Consumption of fixed capital | 439 |
| Corporate profit taxes | 86 | Indirect business taxes | 338 |
| Corporate dividends | 84 | Compensation of employees | 2373 |
| Retained earnings | 129 | Rent | 14 |
| Net exports | -74 | Net private domestic investment | 231 |
| Personal taxes | 493 | Government expenditure | 815 |

1. Calculate GNPmp and GDPmp by both expenditure and income method.
2. Calculate NI, PI and PDI.

Unit 8: Macroeconomic policies

1. What do you mean by macroeconomic policy? List out the macroeconomic goals.
2. What is monetary policy? Describe objective of monetary policy.
3. Explain the types and instruments of monetary policy.
4. What is fiscal policy? Describe types and instruments of fiscal policy.
5. Explain the automatic stabilization policy