

Section B

[4 marks]

State whether the statement is TRUE or FALSE .

1. The production possibility curve does not shift outward unless there is growth of capital and /or Labor . F
2. It is possible for Net Investment to be negative during a year. T
3. Some economically efficient methods are not technologically efficient. T
4. It is impossible for a real GDP increase to be coupled with a decrease of nominal GDP. F

Section C

[3 marks]

1. Calculate national income using the data given below

★ Direct Personal Taxes	300
Depreciation	230
Indirect Business Taxes	200
<u>Govt. Transfer Payments</u>	25
Gross Investment	450
Net Exports	(-) 70
Consumption Expenditure	2000
Govt. Expenditure	550

$$\begin{aligned}
 & \text{GDP} = \text{Gross Investment} + \text{Consumption Expenditure} + \text{Govt. Expenditure} + \text{Net Exports} \\
 & \text{GDP} = 450 + 2000 + 550 + (-70) \\
 & \text{GDP} = 2930
 \end{aligned}$$

2500

2. (a) Discuss the difference between WPI and CPI . Which do you think is a better measure of rate of inflation for adjusting wages of factory workers amongst the two? [3 marks]
 (b) Why is inflation undesirable? [1 marks]

3. Discuss the major areas of market failures. Also briefly discuss what corrective role state can play in these areas. [4 marks]

4. Point out the difference between the following: [2 marks]

- (a) GNP and GDP
- (b) Investment and Capital stock

Minor Examination I, HUL 213
Department of Humanities and Social Sciences
Maximum Marks : 20 marks
28th August, 2016 : Time : 11.00 AM -12.00 noon

Section - A

Multiple Choice Questions. Only one option is correct.

[3 marks]

1. Many workers have lost their jobs due to installation of computers which they do not know how to operate. This has caused

- (a) Cyclical Unemployment
- ☒ (b) Structural Unemployment
- (c) Voluntary Unemployment
- (d) Frictional Unemployment

2. The law of increasing opportunity costs states that

- (a) if the prices of all resources devoted to the production of goods increase, the cost of producing a particular good will increase at the same rate. ✓
- ☒ (b) if the sum of the costs of producing a particular good rises by a specified percentage, the price of that good must rise by a greater of that relative amount.
- (c) the sum of the costs of producing a particular good cannot rise above the current market price of that good.
- ☒ (d) if society wants to produce more of a particular good, it must sacrifice larger and larger amounts of other goods to do so. ✓

3. A person grows tomatoes for house consumption. This activity is

- ☒ (a) a productive activity but is excluded from GNP because no market transaction occurs
- (b) excluded from GNP because an intermediate good is involved
- (c) excluded from GNP in order to avoid double counting.
- (d) excluded from GNP because it is part of black economy.