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.

2. It is possible for Net Investment to be negative during a year.

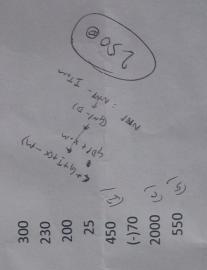
4. It is impossible for a real GDP increase to be coupled with a decrease of nominal GDP. 3. Some economically efficient methods are not technologically efficient.

Section C

1. Calculate national income using the data given below

[3 marks]

Govt. Transfer Payments Consumption Expenditure Indirect Business Taxes Direct Personal Taxes Govt. Expenditure Gross Investment Net Exports Depreciation



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?

(b) Why is inflation undesirable?

[1 marks] [3 marks]

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

4. Point out the difference between the following:

[2 marks]

(a) GNP and GDP

(b) Investment and Capital stock

Department of Humanities and Social Sciences Minor Examination I, HUL 213 Maximum Marks: 20 marks

: Time : 11.00 AM -12.00 noon 28thAugust, 2016

Multiple Choice Questions. Only one option is correct.

[3 marks]

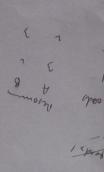
1. Many workers have lost their jobs due to installation of computers which they do not know how to operate. This has caused

(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

(d) if society wants to produce more of a particular good, it must sacrifice larger and larger price of that good.

amounts of other goods to do so

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

(d) excluded from GNP because it is part of black economy (c) excluded from GNP in order to avoid double counting