

Indian Institute of Technology Kharagpur

Date: _____ FN/AN

Duration: 2 hrs

Full Marks: 30

No. of Students: 446

Spring Mid-Sem. Exam, 2018

Subject: Economics

Subject No: HS20001

Instructions: Answer one question at one place only. All questions are compulsory.

1. a) What do you mean by utility? Discuss the law of diminishing marginal utility? Shobha has limited income which she spends on goods X and Y. The market price of X is given as INR 15/- per unit and of Y as INR 20/- per unit. When she draws her budget line, it terminates X-axis at 50 units. Find Shobha's income and slope of her budget line. (1 + 1 + 2)
b) Discuss with suitable diagram the Slutskian approach to price change for decrease in price of a normal good. (2)
c) What do you mean by market demand? Discuss the determinants of market demand separately in the short run and the long run. (1 + 3)

 2. a) Describe the circular flow diagram in the context of a closed economy while presenting the interdependence among the economic agents and its possible implications. (2+1)
b) Define equilibrium income and discuss the difference between an identity and an equilibrium for an economy. In this context, discuss the Keynesian Consumption Function along with its properties. Present how saving is a counterpart of consumption. Prove under what condition(s), the Keynesian law is violated. (1+2+1)
c) Define and Distinguish between (i) investment and capital, (ii) gross investment and net investment, and (iii) business fixed investment and Inventory investment. Discuss different types of inventories and their significance for an economy? (3)

 3. a) Critically discuss the value-added and expenditure approaches to measure Gross Domestic Product (GDP). Differentiate between GDP at market price and GDP at factor cost. Discuss the importance of real GDP with a suitable example. (4+1+1)
b) What is structural transformation? Discuss structural transformation in case of India and its implications. (4)
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