

Indian Institute of Space Science and Technology
Department of Humanities

Quiz 2

(B Tech Avionics 2021 admissions)

HS222 Introduction to Economics

Date of Examination : 03.04.2023
Time of Examination : 9am to 10am

Maximum Marks : 15

I. Answer **any ten** of the following in one sentence or a word **(0.5 mark each)**

1. National Income at Constant Prices
2. Cash Reserve Ratio
3. Depression
4. Disposable Income
5. Sunk Costs
6. Carbon Trade
7. Core Inflation
8. Business cycles
9. Name of the present RBI Governor
10. Credit Suisse
11. Price control Methods
12. Country ranked No 1 in World Happiness Index 2023

II. Answer **any four** of the following in 150 words (maximum) each. Use necessary diagrams / graphs and equations / calculations for illustration. **(2.5 marks each)**

13. XYZ Corporation has calculated that it has fixed costs that consist of its lease, executive salaries, and property taxes. Those fixed costs add up to \$60,000. Their product is the widget. Their variable costs associated with producing the widget are raw material, factory labor, and sales commissions. Variable costs have been calculated to be \$0.80 per unit. The widget is priced at \$2.00 each. Find the Contribution margin and breakeven point of XYZ.
14. For a firm $TC = 2Q^3 - 10Q^2 + 60Q + 200$. Then find the minimum cost at which the firm will shut down its business operation.
15. Suppose general price level is increasing in country A. Which type of monetary policy should the central bank of country A adopt? What are the instruments of such a monetary policy? Why?
16. Define deflationary gap. Explain its role in underemployment equilibrium. What can be done to restore the economy to full employment equilibrium?
17. Explain why we calculate national income in three methods. Prove that $GNI = GNP = GNE$. Point out the major advantages and disadvantages (Three each) of national income figures.

18. What is fiscal policy? Distinguish between the 'expansionary' fiscal policy and 'contractionary' fiscal policy. Explain how fiscal policy can be used as a tool for regulating inflation in an economy.
