

General Instructions :

- i) Question nos: 1-4 are MCQs of 1 mark each. Write the correct option on your answer sheet.
- ii) Question nos: 5-8 are of 3 marks each.
- iii) Question nos: 9-12 are of 4 marks each.
- iv) Question nos: 13-15 are of 6 marks each.

1. Which of these statements is true? (1)
 - a) Nominal income is always greater than Real income.
 - b) NDP at factor cost is always less than GDP at factor cost.
 - c) NDP at factor cost is always greater than NNP at factor cost.
 - d) NNP at factor cost will always be less than NNP at market price.
2. Which of the following is an intermediate good? (1)
 - a) Machine
 - b) Mobile phone
 - c) Car
 - d) Sugar bought by a bakery
3. Excess demand can be corrected by (1)
 - a) Decrease in LRR
 - b) Increase in Repo Rate
 - c) Purchase of securities by the central bank
 - d) All of the above
4. If an initial deposit of Rs. 1000/- gives rise to total deposits of Rs. 4000/-, the LRR is (1)
 - a) 20%
 - b) 25%
 - c) 30%
 - d) 35%
5. Define externalities and explain their impact on welfare. (3)
6. Discuss the components of current account of BOP. (3)
7. Why do planners and policy makers insist on increasing the investment level in the economy? What do they expect to achieve? Explain using a numerical example. (3)
8. Calculate autonomous consumption expenditure from the following data about an economy which is in equilibrium: (3)

National Income	=	1200
Marginal propensity to save	=	0.20
Investment expenditure	=	100
9. Giving reasons explain how should the following be treated in estimating GDP at market price: (4)
 - a) Fees paid to a mechanic by house hold.
 - b) Taking care of aged parents.
 - c) Expenditure on purchasing a car by a firm.
 - d) Expenditure on providing police services by the government.
10. Visit to foreign countries for sightseeing etc by the people of India is on the rise. What will be its likely impact on foreign exchange rate? Use diagram. (4)
11. Discuss the difference between revenue and fiscal deficit. (4)
12. Identify revenue and capital expenditures of the government. Give reasons. (4)
 - a) Subsidies given by the government.
 - b) Payment of interest on loans taken by the government.
 - c) Payment of pension to government employees.
 - d) Expenditure on purchase of equipments for a government hospital.

13. a) Explain the 'Unit of account' function of money.
 b) Discuss the 'Banker's bank' function of the central bank. (3+3)
14. Using diagram explain the Savings and Investment approach of determination of equilibrium level of national income. (6)
15. Calculate NNP at factor cost and Private Income: (3+3)

Items		Rs. (Crores)
1.	National debt interest	60
2.	Wages and salaries	800
3.	Net current transfers to abroad	20
4.	Rent	300
5.	Transfer payments by the government	70
6.	Interest	200
7.	Net domestic product at factor cost accruing to government	400
8.	Social security contribution by employers	100
9.	Net factor income paid to abroad	50
10.	Profits	300

-X-X-X-X-X-