

Duration: 2 Hours

Maximum Marks: 60

Instructions:

- 1) Start each question on fresh page.
- 2) Figures to the right indicate maximum marks.
- 3) Question Number 1 is compulsory.

Q.1. Answer ANY FOUR questions from the following. (4x5=20 Marks)

- A. Assume that the economy is at peak phase with high money supply with increased purchasing power which has resulted in High Inflation. This has led to disequilibrium in the nation. Explain how the Government will bring back the economy to equilibrium, also how Government will help the economy when in depression phase.
- B. Considering a household earns Rs. 10,000 per month, of which Rs. 6000 are spent on consumption, Rs. 2000 are held to guard the household against unexpected emergency or expenditure and the rest amount is invested in order to get capital gain. Explain the motives for money with the help of diagram.
- C. Assuming you are an Economic Advisor to the Government. Government requires additional funding in order to overcome the increasing public expenditure. State and explain the sources from which the Government can generate additional revenue to meet the increased expenditure.
- D. In 1960s, Phillip's curve explained the inverse relation between unemployment and inflation but in 1970s Phillip's curve could not explain the stagflation situation. With the help of diagram explain how long run Phillip's curve was different from short run Phillip's curve.

E. ITC company produces and sells notebooks to retailers. Raw material required for production of 100 books is procured at Rs 2000/- by the company from its supplier. The company adds value by transforming the raw material into finished Product and sell it to the retailer at Rs. 45 per book. The retailer then sells it at Rs. 60 per book. Calculate National Income using Value Addition Method for 100 books.

Q. Answer any FOUR from the following

Q.2. Calculate Average Propensity to consume, Average Propensity to save, Marginal Propensity to consume and Marginal Propensity to save using the given data. **(10 Marks)**

Disposable Income (Rs.)	Consumption	Savings
0	2,000	-2000
4000	3,400	600
6000	5,000	1000
8000	6,200	1800
10,000	7,500	2500
12,000	9000	3000
14,000	10,200	3800
16,000	11,500	4500

Q.3. Explain the functions of RBI and Commercial Banks. **(10 Marks)**

Q.4. Highlight the important features, schemes and policies introduced in the Union Budget of 2023-24 **(10 Marks)**

Q.5. Identify the theories from the below given statements and explain the same in detail.

(10 Marks)

- A. If firms want to earn high profits in long run, they should patent their invention.
- B. Investment will depend upon Marginal Efficiency of Capital and savings along with interest rates.

OR

Q.6. Person A deposited Rs. 30,000 with ABC bank, which is a primary deposit. The bank is required to maintain cash reserve ratio of 10% and the remaining will be given in the form of advance lending. Calculate the total money and credit created in the economy.

Rounds	Primary Deposits	Cash Reserve ($r=10\%$)	Credit Creation
Person A	Rs. 30,000		
