General Instructions to Candidates:

- There is a ‘cool off time’ of 15 minutes in addition to the writing time of 2½ hrs.
- You are not allowed to write your answers nor to discuss anything with others during the ‘cool off time’.
- Use the ‘cool off time’ to get familiar with questions and to plan your answers.
- Read questions carefully before answering.
- All questions are compulsory and only internal choice is allowed.
- When you select a question, all the sub-questions must be answered from the same question itself.
- Calculations, figures and graphs should be shown in the answer sheet itself.
- Malayalam version of the questions is also provided.
- Give equations wherever necessary.
- Electronic devices except non-programmable calculators are not allowed in the Examination Hall.
1. Govt. regulate the prices of certain goods and services by the intervention in the form of price control.
   a) Differentiate the price ceiling and price floor methods of price control.
   b) Give one example for each.

2. “The supply of money is regulated by R.B.I. by various investments of monetary policy”. Explain the important instruments.

3. “In one case an increase in the price of good x decrease the demand for good y and in another case a decrease in the price of good x the demand for good y increases”.
   a) Differentiate the two situations with relationship of goods
   b) Define the situations
   c) Give one example for each case.

4. “In both the developed and developing countries apart from the private capitalist sector, there is the institution of state”. What is the economic role of state in the economy?

2026
5. a) Calculate the gross fiscal deficit by using the following data:
Total expenditure = ₹ 4,000 crores
Revenue Receipts = ₹ 1,500 crores
Non debt creating capital receipts = ₹ 800 crores
b) What is meant by Non debt creating capital receipts?
c) Write two examples of Non debt creating capital receipts.
(3)

6. Let the production function of a firm be $Q = 3 \cdot L \cdot K^3$
find the maximum possible output that the firm can produce with 5 units of $L$ and 2 units of $K$. (1)

7. The gross domestic product can be measured by using three methods.
a) Explain the three methods?
b) Write down the equations.
c) What are the limitations of GDP for using an index of welfare of a country? (8)

8. A schedule is given below.

<table>
<thead>
<tr>
<th>Quantity</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>M.R.</td>
<td>10</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>-2</td>
</tr>
</tbody>
</table>

a) Calculate the TR and AR
b) Draw the demand curve
c) Which is the type of Market, justify? (4)

2026 -3-
9. The price of a commodity increases from Rs. 50 per Kg to Rs. 60 per Kg. The quantity supplies rises from 80 Kgs to 100 Kgs.
   a) Calculate the price elasticity of supply
   b) What is the type of price elasticity?

10. "Different people plan to save different fractions of the additional incomes".
   a) What is marginal propensity to save?
   b) How MPS is related to MPC?
   c) Explain the concept of paradox of thrift.

11. Some situations are given below.
   a) The flood destroys some agricultural production facilities.
   b) Introduction of modern instruments of production.
   c) Introduction of a subsidy on electricity charges.
      How each of the situations affect the PPC of an economy?
12. Murali has an income of Rs. 20 and suppose he wants to consume two commodities x and y. Both goods are priced at Rs. 4 per unit.

a) Find out all the budget set available to Murali

b) Draw the budget line

c) What happens to the budget set and price line, when the income alone is increased to Rs. 40. (4)

13. A profit maximising firm will not produce at an output level where market price exceeds MC or Marginal Cost exceeds market price is a condition of equilibrium under Perfect Competition.

a) What are the other two conditions?

b) Explain the Conditions.

c) Graphically represent the profit maximising output in short run. (8)

14. Aggregate demand for final goods consists of ex ante consumption, and two other variables. What are the two other variables? (2)
15. Recently the exchange rate of Indian rupee with dollar changed from 1 dollar = 46.5 Rs. to 1 dollar = 52.6.
a) Identify the term for this change and define the concept.
b) What is the effect of this change in international trade?

16. a) Complete the following table:

<table>
<thead>
<tr>
<th>Units</th>
<th>TP</th>
<th>MP</th>
<th>AP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
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<td>3</td>
<td>400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>480</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

b) Define the concept AP and MP.

17. A simultaneous shifts in Demand and Supply are shown in the following figures.

Differenciate the change from E to F and from C to D.
18. Some final goods are given below classify them into consumption goods and capital goods.
   a) Raw cotton   b) Tractor
c) Bread   d) Clothing

19. Two demand function equations are given.
i) $DX = 80 - 10Px$
ii) $DX_1 = 100 - 15Px$
   a) Derive two demand schedules for the above demand functions.
      (take values of P as 1, 2, 3, 4, 5)
   b) Draw the two demand curve on the same axis.

20. Demand for money balance is often, referred to as liquidity preference. People desire to hold money balance broadly from two motives.
    Explain the important motives for demand for money.

21. The revenue account of govt. budget shows the current receipts of the govt. and the expenditure that can be met from these receipts.
    Explain the main revenue receipts and revenue expenditure of the government.

22. "Managed floating exchange rate system is a mixture of a flexible exchange rate system and a fixed rate system"
    Explain the international rules governing the setting of exchange rate.