

**1(CCE.M)2**  
**Economics—I**  
**(08)**

Time : Three Hours]

[Maximum Marks : 300

**INSTRUCTIONS**

- (i) Answers must be written in English.
- (ii) The number of marks carried by each question is indicated at the end of the question.
- (iii) The answer to each question or part thereof should begin on a fresh page.
- (iv) Your answer should be precise and coherent.
- (v) The part/parts of the same question must be answered together and should not be interposed between answers to other questions.
- (vi) Candidates should attempt question nos. **1** and **5** which are compulsory and any **three** more out of the remaining questions, selecting at least **one** question from each Section.
- (vii) If you encounter any typographical error, please read it as it appears in the text-book.
- (viii) Candidates are in their own interest advised to go through the General Instructions on the back side of the title page of the Answer Script for strict adherence.
- (ix) No continuation sheets shall be provided to any candidate under any circumstances.

- (x) Candidates shall put a cross (×) on blank pages of Answer Script.
- (xi) No blank page be left in between answer to various questions.
- (xii) No programmable Calculator is allowed.
- (xiii) No stencil (with different markings) is allowed.

### SECTION–A

1. Answer any **three** of the following in about **200** words each :
  - (a) Discuss the importance of consumers surplus in economic analysis and policy formulation. 20
  - (b) Distinguish between marginal efficiency of capital (MEC) and marginal efficiency of investment (MEI). 20
  - (c) Explain the concept of aggregate demand and aggregate supply. 20
  - (d) Explain the role of Fiscal and Monetary policy in economic development of a country. 20
2. What is the usual form of non-price competition in monopolistic competition ? Explain and illustrate the firm's long run equilibrium under non-price competition. 60
3. Why interest is charged and paid ? Will interest accrue in an economy in which there is excess idle supply of savings ? 60
4. Using isocost and isoquants, show the direction of change in expansion path of a firm assuming change in price of only one input at a time. 60

### SECTION–B

5. Answer any **three** of the following in about **200** words each :
  - (a) What are the functions of a central bank ? How does the central bank of a country help in economic development ? 20

- (b) Explain the concept of foreign trade multiplier. What are its limitations ? 20
  - (c) What is meant by spot rate, forward rate, hedging and speculation ? Explain. 20
  - (d) Explain how import duties can project domestic industries. 20
6. Critically examine the effectiveness of various instruments of monetary policy in achieving price stability. 60
  7. Examine the relative merits and demerits of fixed and flexible exchange rate policies in the context of external as well as internal balance with particular reference to developing countries. 60
  8. How is the foreign exchange rate determined ? Show the relationship between the balance of payments and foreign exchange rate changes in a country. 60