EEC – 11   FUNDAMENTALS OF ECONOMICS
TMA
(Coverage: Blocks 1 to 10)

Note: Answer all the questions.

Section- A

Long Answer Questions (Answer in about 500 words each)   **2 x 20 = 40**

1. (i)   Distinguish between price elasticity of demand and income elasticity of demand. How will you judge the quality of a good on the basis of value of income elasticity of demand?

    (ii)   The demand curve and the supply curve of the product is given as under:

$$Q_{d=300-2P+4I}$$
$$Q_{s=3P-50}$$

    Where I is the average income measured in thousands of rupees, P is the price of the product, Q_d is the quantity demanded and Q_s is the supply of the product.

    Find out the market clearing price and the quantity demanded if I=25.

2. What do you understand by the term 'Equilibrium in real market and money market'? Is it possible to integrate both the markets in a way both the markets are in equilibrium? Discuss with diagram the techniques through which such an equilibrium can be attained.

Section-B

Medium-Answer Questions (Answer in about 250 words each)
        4 x 12 = 48

3. Distinguish between laws of variable proportions and returns to scale. Why does law of diminishing returns operate?

4. State the difference between variable cost and fixed cost. Explain the reasons for U shaped short run average cost curve.

5. Distinguish between monopoly and monopolistic competition. How does monopolistic competitive firm decide its price and output in short run period.

6. Do you think that demand for labour is essentially derived in nature? Why does individual labour supply curve is backward bending?

Section C

Short Answer Questions (Answer in about 100 words each)　　　　　　**2 x 6 = 12**

7. Distinguish between any four of the following:　　　　　　**2 x 3 = 6**

   i.   Private income and personal income.
   ii. Economic growth and economic development.
   iii. Direct and indirect taxes.
   iv. Positive economics and Norma tic economics.
   v.   Economic law and economic theory.

8. Explain any four of the followings:　　　　　　**2 x 3 = 6**

   i.   Production possibility curve
   ii. Giffin good
   iii. Pure public good
   iv. Terms of Trade
   v.   Stagflation