

Parvatibai Chowgule College of Arts and Science
Autonomous

B.A Semester End Examination, January 2022(Repeat)

Semester: I

Subject: Economics

Title: Principles of Economics (CORE)

Duration: 2 Hours

Max. Marks: 60

Instructions: 1. Q1 is compulsory.

2. Answer any 4 questions from Q2 to Q7.

3. Draw diagrams wherever necessary.

4. Figures to the right indicate full marks.

Q1. “Economics deals with the analysis of the society in its qualitative and quantitative aspect”. Comment on the statement based on your understanding of microeconomics and macroeconomics. (12)

Q2. Draw the economy's production possibilities frontier (PPF), for two goods of your choice and explain what will happen to the production possibility frontier if major technical innovation occurs in any one of your product production (12)

Q3. Aarav buys an iPod for \$120 and gets consumer surplus of \$80. (12)
a. What is he willing to pay?
b. If he had bought the iPod on sale for \$90, what would be his consumer surplus have been?
c. If the price of an iPod were \$250, what would be his consumer surplus have been?

Q4. Discuss any four features of oligopoly. With the help of game theory, explain why firms will not cooperate even when its benefitting. (12)

Q5. “Consider an economy that produces only chocolate bars. In year 1, the quantity produced is 4 bars and the price is \$5. In year 2, the quantity produced is 5 bars and the price is \$6. In year 3, the quantity produced is 6 bars and the price is \$7. Year 1 is the base year. (12)
a. What is nominal GDP for each of these three years?
b. What is real GDP for each of these years?
c. What is the GDP deflator for each of these years?

Q6. a. Explain any two principles of economics with the help of your own appropriate and relatable examples. (06)
b. Explain market equilibrium and how invisible hand plays the role. (06)

Q7. a. With the help of diagram explain why monopolistic will not lower the price even when it can make good profits. (06)
b. Explain how fiscal policy should be in times of recession and prosperity phase in India. (06)
