AAROHAN CIVIL SERVICE INSTITUTE

ECONOMY (PAPER I)

FULL LENGTH - 1

Time Allowed : Three Hours   ***Maximum Marks : 250***

Section-A

1. **Answer the following in about 150 words :**   **10x5=50**

  (a) Show the situation of Ecess profit, loss and normal profit situation of firms under perfect competition. As per MC-MR approach.

  (b) State the features of Demand and Reserve of Monopoly firm.

  (c) Does a monopolistically competitive market lead to excess capacity under price competition.

  (d) Compare and contrast Marshallian and Walrasian approaches of the stability in equilibrium.

  (e) Explain Keynesian consumption and saving function.

2. (a) In what way Kaldor's model of income distribution is basically Keynesian theory? 20

  (b) "Pareto optimality condition are necessary but not sufficient condition for social welfare maximisation." Comment.   15

  (c) The following data are given for an economy :   7+8=15

     Consumption function, $C = 250 + 0.5 (Y - T) - 500r$

     Investment Function $1 = 250-500r$

     Real Money Demand Function, $L/P = 0.5y - 500r$

     Nominal Money Supply $M = 7650$

     Price level $P = 17$.

     Tax $= T =$ Government expenditure $= G = 200$.

     Here $Y =$ Real income, $R =$ Real rate of interest, $L =$ Nominal money demand, $P =$ Price Level.

  (i) Find the equation for IS and LM curves and solve for Y and 'r'.

  (ii) Find out the multiplier formula for money supply change and then calculate the change in output if money supply changes by 510.

3. (a) Explain Kinked demand curve theory with the help of diagram.   15

  (b) Discuss the liquidity preference theory of J.M. Keynes.   15

  (c) Explain the role of Fiscal Policy and Monetary Policy with the help of IS-LM approach.   20

4. (a) Explain the process of money multiplier and also state on what factors money supply demand.   20

(b) Explain the objective of Public Finance. 15

(c) Examine the effects of public expenditure on the development process of an economy. 15

Section-B

5. *Answer the following questions in about 150 words each :*

(a) Explain the relationship between tax revenue and tax rate with the help of Laffer Curve. 10

(b) State about the principles or canons of taxation. 10

(c) Determine optimum tariff of a country with the help of offer curve. 10

(d) State's Arrow's five reasonable conditions which a social welfare function must satisfy. 10

(e) Differentiate between inter-industry and intra-industry trade by H-O model. 10

6. (a) Explain Kuznets inverted 'U' hypothesis. Is growth good for the poor? Explain. 15

(b) What are the elasticity and absorption approaches to BOP adjustment. 20

(c) Critically discuss Arthur Lewis model of economic development with unlimited supplies of labour. 15

7. (a) In the context of a two-country model, derive foreign trade multiplier and explain its working. What will be its repercussion? 20

(b) Discuss the role of renewable energy resources in order to maintain environmental sustainable with special reference to India. 15

(c) Can multinational investment defeat the objective of inclusive growth? Give reasons for your answer. 15

8. (a) Discuss the different forms of Farm subsidies. Explain how Indirect subsidies are detrimental to the economy and environment in the long run. 15

(b) Explain the classification of Assets held by a commercial bank. Discuss the problems faced by commercial bank due to rise in NPA. 15

(c) How does rural economic activities create environmental degradation in developing economics? 20

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