Instruction: Attempt any Five Questions. All questions carry equal marks. Extra Attempt of any Question will not be considered.

Question No. 1

ECONOMICS is the STUDY OF WEALTH explain. Also criticize the statement. **(10,10)**

Question No. 2

How does a **CONSUMER** attain equilibrium in a **MAP of INDIFFERENCE CURVES** with the help of a **BUDGET LINE**? **(20)**

Question No. 3

Define **SUPPLY**? Explain **LAW of SUPPLY** with the help of a table and diagram. **(5,15)**

Question No. 4

How **PRICE and OUTPUT** are determined under **MONOPOLY** during **SHORT RUN** and **LONG RUN**? **(20)**

Question No. 5

Introduce various methods to measure a country's **NATIONAL INCOME**. **(20)**

Question No. 6

State and explain **CANONS of TAX**. **(20)**

Question No. 7

How **PUBLIC FINANCE** and **PRIVATE FINANCE** are different? Enumerate the sources of **PUBLIC FINANCE**. **(8,12)**

Question No. 8

For the following **TOTAL COST FUNCTION (TC) (5,5,5,5)**

$TC = 108 + 3Q - 2Q^2 + Q^3$

Find:
a) **AVERAGE COST FUNCTION (AC)**
b) **MARGINAL COST FUNCTION (MC)**
c) **AVERAGE VARIABLE COST FUNCTION (AVC)**
d) **Why the given TC FUNCTION is a SHORT RUN COST FUNCTION?**

See Guideline/Hints for each question on next page.

Guideline/Hints for each question

Q.No.1 – Economics as the Study of Wealth

- **Explanation (10 marks):** Define economics as the study of wealth (Adam Smith's view). Explain its focus on production, consumption, and distribution of wealth.
- **Criticism (10 marks):** Discuss the limitations, including its narrow focus on wealth and neglect of human welfare. Mention modern views (e.g., Robbins' definition).

Q.No.2 – Consumer Equilibrium in Indifference Curve & Budget Line

- **Indifference Curve (IC):** Explain that IC represents different combinations of two goods giving equal satisfaction.
- **Budget Line:** Show how income limits choices.
- **Equilibrium Condition:** Consumer equilibrium occurs where the **budget line** is tangent to the **highest IC** (illustrate with a diagram).

Q.No.3 – Supply and Law of Supply

- **Definition of Supply (5 marks):** The quantity of a good that producers are willing to sell at different prices.
- **Law of Supply (15 marks):** State that supply increases with price (ceteris paribus).
- **Illustrate with Table & Diagram:** Show a supply schedule and draw an upward-sloping supply curve.

Q.No.4 – Price & Output Determination under Monopoly

- **Short Run:** Explain that a monopoly maximizes profit where **MR = MC**. Show a diagram.
- **Long Run:** Monopoly can earn supernormal profits due to **barriers to entry**. Show differences in equilibrium with diagrams.

Q.No.5 – Methods to Measure National Income

- **Three main methods:**
    1. **Product Method:** Adds the value of all goods/services produced.
    2. **Income Method:** Sums all factor incomes (wages, rent, interest, profit).
    3. **Expenditure Method:** Adds up total spending (C + I + G + (X-M)).
- **Conclusion:** Discuss challenges in measuring national income (informal economy, data accuracy).

Q.No.6 – Canons of Taxation

- **Definition:** Taxation principles set by Adam Smith.
- **Four Canons:**
    1. **Equity:** Taxes should be fair and based on ability to pay.

2. **Certainty:** Taxpayers should know how much, when, and how to pay.
3. **Convenience:** Taxes should be collected in an easy manner.
4. **Economy:** The cost of collection should be minimal.

- **Examples:** Income tax (equity), VAT (certainty), etc.

Q.No.7 – Public Finance vs. Private Finance & Sources of Public Finance

- **Public Finance:** Deals with government income & expenditure (taxes, public debt).
- **Private Finance:** Deals with personal/firm financial decisions.
- **Differences:** Public finance is focused on welfare, while private finance seeks profit.
- **Sources of Public Finance:**
    1. **Taxes** (direct/indirect)
    2. **Non-tax revenues** (fees, fines)
    3. **Public borrowing**
    4. **Foreign aid**