

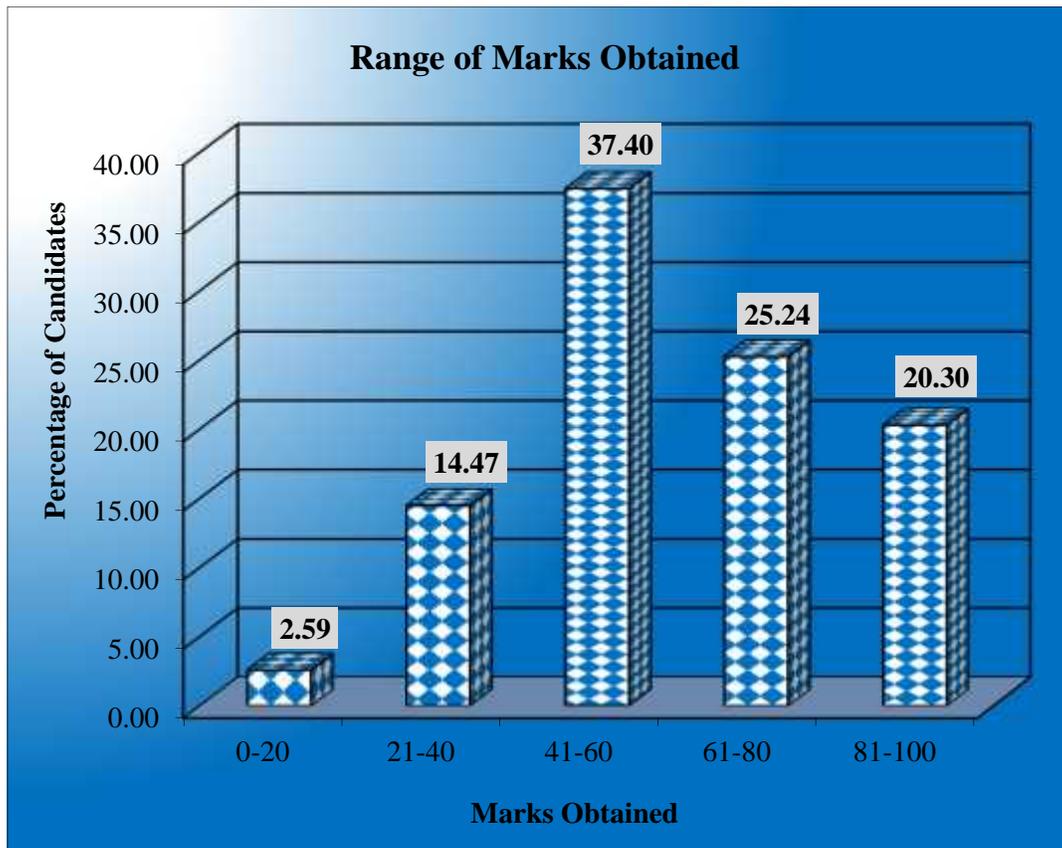
ECONOMICS

STATISTICS AT A GLANCE

Total Number of students who took the examination	31,139
Highest Marks Obtained	100
Lowest Marks Obtained	1
Mean Marks Obtained	59.53

Percentage of Candidates according to marks obtained

Details	Mark Range				
	<i>0-20</i>	<i>21-40</i>	<i>41-60</i>	<i>61-80</i>	<i>81-100</i>
Number of Candidates	807	4505	11645	7861	6321
Percentage of Candidates	2.59	14.47	37.40	25.24	20.30
Cumulative Number	807	5312	16957	24818	31139
Cumulative Percentage	2.59	17.06	54.46	79.70	100.00



B. ANALYSIS OF PERFORMANCE

PART I (20 Marks)

Answer *all* questions.

Question 1

Answer briefly *each* of the following questions (i) to (x):

[10×2]

- (i) Define *marginal utility*. When can it be negative?
- (ii) What is meant by *production function*?
- (iii) Name the market where *average revenue* is equal to *marginal revenue*. Give a reason for your answer.
- (iv) Give *one* difference between *accounting cost* and *opportunity cost*.
- (v) What is the reason for an indeterminate demand curve under Oligopoly?
- (vi) What is meant by *propensity to consume*?
- (vii) Explain *discounting bills of exchange* as one of the functions of the banks.
- (viii) Differentiate between *reevaluation of currency* and *appreciation of currency*.
- (ix) How can *gross domestic product at factor cost* be obtained from *gross national product at market price*?
- (x) What is meant by *revenue deficit*? Explain its implication.

Comments of Examiners

- (i) Instead of change in utility, candidates wrote change in commodity which as a concept was incorrect. Some candidates wrote that marginal utility becomes negative when total utility is maximum, which is incorrect.
- (ii) Many candidates did not use the words 'best production technique' or 'functional' in defining production function. They expressed it merely as a relationship between output and input.
- (iii) Identification of perfect competition was correct in most cases. However, several candidates were not able to give the reason for equality between AR and MR.

Suggestions for teachers

- Teach relationships between TU and MU with the help of graphs and schedule.
- Stress upon the use of key words and their importance in definitions.
- Help students identify different forms of market on the basis of important characteristics.
- Every term should be clarified with the help of examples. In opportunity cost, the emphasis should be on 'next best alternative' and that it also covers economic cost.

- (iv) The concept of accounting cost was not clear to a number of candidates. The 'next best alternative' was not mentioned by many candidates while writing about 'opportunity cost'.
- (v) Some candidates mentioned 'few sellers' instead of 'intense competition' and 'interdependence' in decision making.
- (vi) In some cases, 'propensity to consume' was explained as a micro concept i.e. consumption expenditure of a consumer which is incorrect. It was written as $C=f(y)$ instead of defining it with respect to different levels of National Income.
- (vii) The time period of 90 days was not mentioned by many candidates. Some candidates discussed it considering producer and consumer instead of debtor and creditor.
- (viii) Some candidates seemed to be confused. They did not relate 'revaluation' with attempt made by the Government and 'appreciation' with the market forces of demand and supply.
- (ix) Some candidate could not answer this part correctly. They only subtracted NIT and not NFIA from GNPmp.
- (x) A number of candidates explained revenue deficit as the difference between Expenditure and Income or the difference between Revenue income and Revenue expenditure. The explanation for implication was also poor in many cases.

- Concepts of National income should be made clear to students.
- The implication of each feature of the market must be emphasized. Students should have a clear idea of the kinked demand curve as a reason for price rigidity in oligopoly.
- Clarify the meaning of all terms associated with a topic. Students should be made to realize how use of different terms changes the meaning, e.g. 'macro / micro'.
- The meaning of propensity should be explained with reference to consumption expenditure at different levels of national income.
- The time period, i.e. 90 days is important to mention when explaining its discounting.
- The terms Revaluation and Appreciation should be discussed separately. Revaluation is done by the Government / Monetary authorities as fixed exchange rate and Appreciation by demand and supply forces as flexible exchange rate.
- Students should be taught the relevance of using excess of Revenue expenditure over Revenue income of the Government.

MARKING SCHEME

Question 1

(i) Marginal Utility

Utility derived from every additional unit to the consumer is Marginal Utility. At one point consumer's total utility becomes maximum and then his total utility falls. This is the point when marginal utility becomes negative.

(Diagram or explanation)

(ii) Production function

- It is a functional relationship or interdependence between output and some factors of production which are needed to produce that output. (Maximum quantity of a commodity which can be produced per unit of time with the given amount of inputs when the best production technique is used.)
- $Q = f(x_1, x_2, \dots)$, where Q is output, x_1, x_2 are factors of production.

(iii) Market is perfect competition

AR = MR as the price is same or uniform

OR

Perfect competitive firm is price taker

(iv) Difference between *Accounting Cost* and *Opportunity Cost*.

Explicit cost or accounting cost is the money payment for hiring or buying inputs or factors of product. Example, wages paid or money paid to buy raw materials.

Opportunity cost is the cost of next best alternative which is sacrificed.

If producers use their own resources, they are losing out on income or cost. There are implicit costs.

(v) Indeterminate Demand Curve under Oligopoly:

Oligopolist has intense competition, cannot ignore the reaction of rival firms as there is interdependence

(vi) Propensity to consume refers to different possible amounts of consumption expenditure which the consumers desire to spend at different levels of national income.

(vii) *Discounting Bills of Exchange* as one of the functions of the banks.

A bill of exchange is drawn by a creditor on the debtor specifying the amount of debt and also the date, normally for 90 days. The creditor can get it discounted from a commercial bank. By discounting, bank pays the money to the creditor and allows the debtor to pay when the bill is due.

OR

Explained with numerical example

(viii) Difference between *revaluation of currency* and *appreciation of currency*:

Revaluation – attempt made by the government or monetary authorities to increase the value of home currency with respect to foreign currency.

Appreciation – increase in the value of home currencies done by forces of demand and supply.

- (ix) *Domestic Product at Factor Cost* to be obtained from *Gross National Product at Market Price*.

GDP_{FC} from GNP_{MP}

$GNP_{MP} - \text{net indirect tax} - \text{net factor income earned from abroad} = GDP_{FC}$

Net indirect tax = indirect tax – subsidy

Net factor income earned = factor income received – factor income given.

- (x) *Revenue deficit and its implication.*

Revenue Deficit: When the revenue expenditure of the government is more than the revenue receipts

Implication: to cover this deficit, government has to borrow, which will increase the capital expenditure of the government.

PART II (60 Marks)

Answer *any five* questions.

Question 2

- (a) Discuss the relationship between income of the consumer and demand for a commodity with respect to *normal goods*, *inferior goods* and *necessities*. [3]
- (b) Differentiate between *extension of demand* and *increase in demand*, using diagrams. [3]
- (c) Explain with the help of a diagram the consumer's equilibrium through *utility approach*. [6]

Comments of Examiners

- (a) Some candidate defined normal/inferior goods relating with price, though in the question 'income' was clearly mentioned. In some cases, 'price' was measured along the vertical axis to draw the relevant curves of these three types of goods.
- (b) A large number of candidates answered this part well but some did not show the movement and shift with the help of arrows.
- (c) A number of errors were observed in this question:
- Some candidates used law of equi-marginal utility to explain Consumer's equilibrium;
 - A few candidates explained this equilibrium using ordinal utility/ indifference curve approach.
 - The explanations given by many candidates were devoid of unstable situations like effects of $MU_x > P_x$ and $MU_x < P_x$. Some candidates did not show it with $MU_x = P_x$.

Suggestions for teachers

- Help students understand the concepts of normal, inferior, necessities and Giffen goods through the concepts of income demand and price demand.
- Give more practice to students for understanding the concepts of extension of demand and increase in demand. The diagrams should be properly labelled and arrows should be used to show movement/shift.
- Teach the application of the different utility approaches. Explain clearly the differences between cardinal and ordinal approach of utility.
- Students should be taught that equilibrium means stable equilibrium. Therefore 'how the consumer attains the stable situation for unstable', is a must in the explanation.

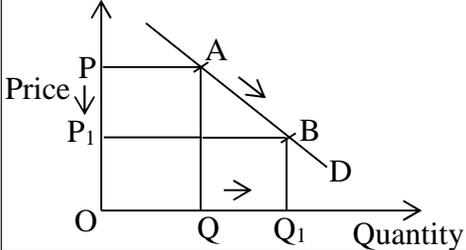
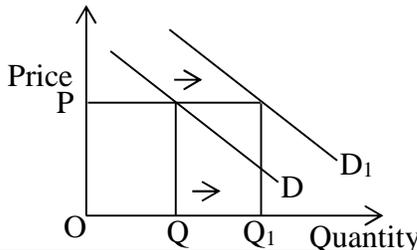
MARKING SCHEME

Question 2

- (a) Income increases, demand for normal good increases, positive relation or direct
 Income increases, demand for inferior good reduces, inverse or negative relation
 Income increases, demand for necessities remains same

OR

Only diagrams given and properly labelled

(b) Extension of demand due to fall in price (own price)	Increase of demand due to other factors like income increase, favourable tastes, etc.
Extension of Demand due to fall in price (Own price) 	Increase of demand due to other factors like income increase, favourable tastes, etc. 

(Explanation, diagram).

- (c) Equilibrium through utility approach:
 Definition of Consumer's equilibrium

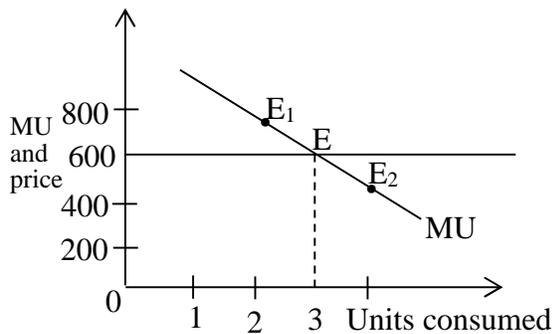
Condition $MU_x = P_x$

Numerical example:

Price of shirt Rs.600

Schedule:

Qty	MU_x
1	700
2	650
3	600 - Equilibrium
4	500



(Diagram & explanation with example)

Consumer in equilibrium when he buys 3 shirts as $MU_x = P_x$ When he buys 2 shirts $MU_x > P_x$, so he buys more. When he buys 4 shirts, $MU_x < P_x$.	At E_1 , $MU_x > P_x$, consumer buys more. E_2 , $MU_x < P_x$, buys less
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Question 3

- (a) Discuss *any two* properties of indifference curve. [3]
- (b) Draw diagrams to show the elasticity of demand when it is: [3]
- (i) Greater than one
 - (ii) Less than one
 - (iii) Unity
- (c) Explain the geometric method of calculating elasticity of supply. [6]

Comments of Examiners

- (a) In case of convexity of IC the role of DMRS was not recognized properly by some candidates. The explanation for two indifference curves never intersecting was not properly explained by a few candidates.
- (b) In several cases, the demand curve drawn was steeper instead of it being flatter. Proportionate change in price and demand was not shown correctly. Some candidates did not draw a rectangular hyperbola to show unity. The three diagrams drawn did not show proper variations. In some cases, $E_p > 1$, $E_p < 1$ and $E_p = 1$ were shown on the same demand curve.
- (c) Some candidates just drew the curves but did not give any explanation to justify the position of supply curves. The perpendicular from the point on the curve was not drawn on the x-axis. The ratio to calculate elasticity of supply was not shown correctly (line extended to x-axis and distance between perpendicular to origin).

Suggestions for teachers

- Explain properties of IC curve with the help of diagrams. Give the reasons behind each property.
- Teach degrees of elasticity of demand properly. Proper diagram showing $E_p > 1$, $E_p < 1$ and $E_p = 1$ should be taught.
- Teach students how to draw perpendicular on x-axis and line extended upto x-axis. The ratio to calculate elasticity of supply should be correctly taught. $E_s > 1$, $E_s < 1$ and $E_s = 1$ should be mentioned.

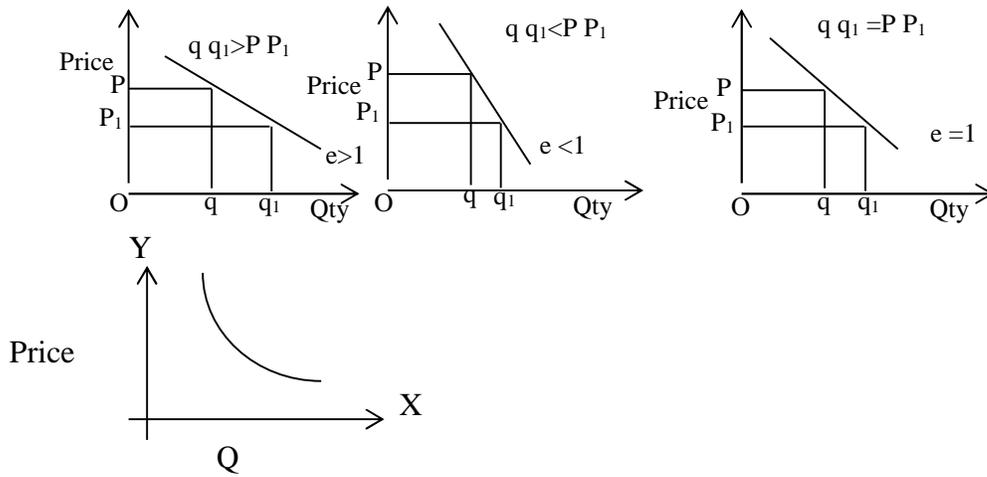
MARKING SCHEME

Question 3

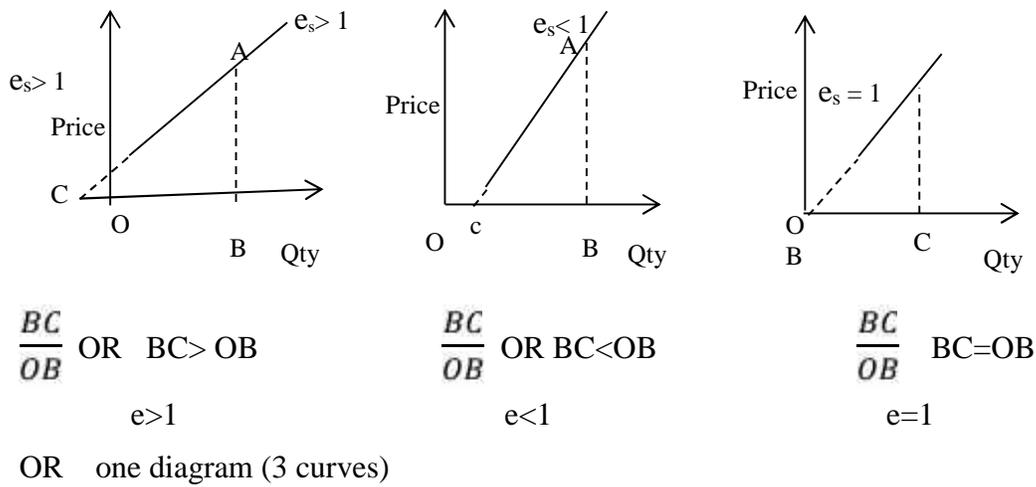
- (a) Properties of indifference curve:
- (1) Downward sloping due to marginal rate of substitution OR in order to increase additional units of one, other commodity has to be substituted.
 - (2) It is convex to origin – showing decreasing MRS – consumer is ready to substitute or sacrifice less as he increases the consumption of one commodity.
 - (3) Higher indifference curve gives higher level of satisfaction – as he consumes more or both the commodities
 - (4) Two indifference curves never intersect. Point on intersection cannot be explained as the point cannot have two levels of satisfaction.

(any two)

(b) Elasticity of demand:



(c) Explain the geometric method of calculating elasticity of supply:



Question 4

- (a) Show with the help of diagrams, the effect on equilibrium price and quantity when: [3]
- (i) There is fall in price of substitute goods.
- (ii) There is a rise in prices of inputs.

- (b) The cost function of a firm is given below: [3]

Output	0	1	2	3	4
Total cost ₹	100	250	370	550	740

Calculate:

- (i) AFC
- (ii) AVC
- (iii) MC
- (c) Explain the law of variable proportions with the help of a diagram. [6]

Comments of Examiners

- (a) (i) Some candidates depicted shift in both demand and supply curves whereas only demand curve should have shifted to the left.
- (ii) In several cases, the demand curve was shifted which was incorrect. In some cases, both demand and supply curves were shifted.
- (b) Some candidates were confused with '0' and infinite. However, a large number of candidates were able to attempt this part correctly.
- (c) A number of candidates drew TP, AP and MP curves without mentioning their relationship in different stages. At times, the diagrams did not show point of inflexion and stages. Some candidates explained the relationship between TP and MP which was not required.

Suggestions for teachers

- Teach students to draw properly labelled diagrams for equilibrium positions.
- It should be explained that $TFC=TC$ at zero level of output.
- Teach the law of variable proportions with assumptions. Thorough practice should be given in making diagrams. It must be shown where MP will cut AP and MP will become 0. Students must be clear about when a particular stage comes to an end. Stage wise explanation of TP, AP and MP must be given.

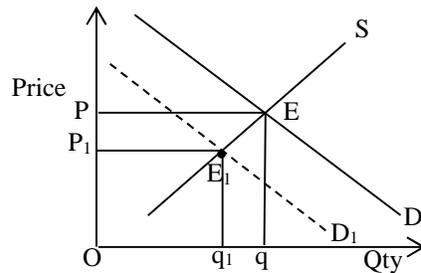
MARKING SCHEME

Question 4

(a) Show with the help of diagrams, the effect on equilibrium price and quantity when:

(i) There is fall in price of substitute goods.

Fall in price of substitute will shift demand curve to the left.

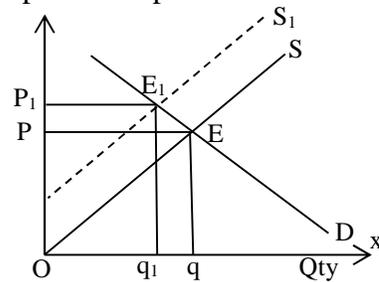


Equilibrium shifts E to E_1 .

E.g. price from P to P_1 and Eq quantity q and q_1

(ii) Rise in prices of inputs.

Rise in price of inputs will shift the supply curve to the left.



The equilibrium shifts from E to E_1

E.g. Quantity from q and q_1

e.g. Price from P to P_1

OR Self-explanatory diagram

(b)

Output	0	1	2	3	4
TC ₹	100	250	370	550	740
TFC	100	100	100	100	100
TVC	0	150	270	450	640
AVC	-	150	135	150	160
AFC		100	50	33.33	25
MC	-	150	120	180	190

- (c) Law of Variable Proportion:
 Statement
 Assumptions – (two assumptions)
 Diagram
 Stages [1st, 2nd, 3rd] Behaviour of AP, MP and TP curves in each stage.

Question 5

- (a) Discuss *two* features of monopoly. [3]
 (b) Show with the help of a diagram, how a perfectly competitive firm earns normal profit in short run equilibrium. [3]
 (c) Explain how a producer can maximise profit by using *MR* and *MC* curves. [6]

Comments of Examiners

- (a) The features of Monopoly were explained correctly by many candidates but in some cases, the quality of the answers was very poor. Some of the candidates misunderstood and wrote about monopolistic competition.
 (b) The conditions like $MC=MR$ and MC cuts MR from below were not mentioned by a number of candidates. Also $P = AC$ for normal profit was not mentioned in several cases. Instead of AC curve AVC curve was considered by some. In a few cases, TR and TC approach was used to show break-even point which was not asked.
 (c) A few candidates made mistakes in this question. In some cases, the explanation was not satisfactory. The point at which the consumer will be in equilibrium was not shown clearly in the diagram by some.

Suggestions for teachers

- Explain the features of various markets with reasons. Highlight key words in the answer.
- Explain all conditions of equilibrium in short run earning normal profit.
- More practice should be given in drawing diagrams.
- Explain the MC/ MR curves to students with the help of well labelled diagrams. The condition that MC should cut MR from below should be explained.

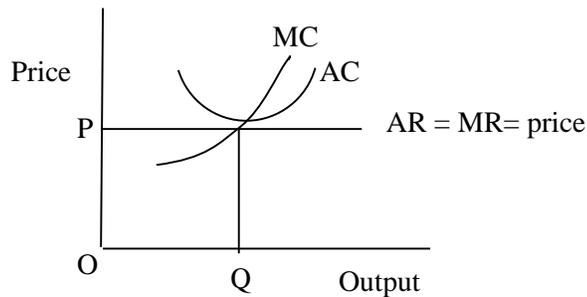
MARKING SCHEME

Question 5

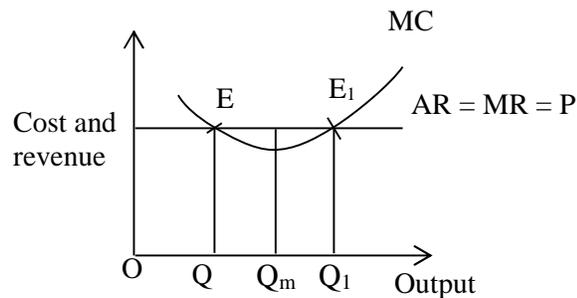
- (a) Features of monopoly.
 Monopoly: One seller, price discrimination, no close substitute of the product, AR drawn (downward)
 No entry in the industry.

(any two of the above with proper explanation)

- (b) Give condition $MC = MR$ and $AC = \text{price}$ (normal profit)
 And MC cuts MR from below.



- (c) Maximise profit – only necessary condition and sufficient condition.



O to Q the $MC > MR$. firm suffers loss

E break-even point normal profit $MC = MR$

Q to Q_m – super normal profit $MR > MC$

Q_m – profit max

Q_m to Q_1 $MC = MR$ (normal profit)

Beyond E_1 loss

Firms maximizes profit at E_1 because it has earned all supernormal profits

$MC = MR$ (necessary condition)

E and E_1 $MC = MR$

$\therefore E_1$ sufficient condition MC cuts MR from below or beyond Q_1 only loss.

(Diagram, explanation and conditions)

Question 6

- (a) Find the value of additional investment made by the government, when $MPC = 0.5$ and increase in income (ΔY) = ₹1000. [3]
- (b) What is meant by *autonomous consumption*? Explain with the help of a diagram. [3]
- (c) Explain the concept of *deficient demand* with the help of aggregate demand and aggregate supply curves. Discuss *one* physical and *one* monetary measure to correct it. [6]

Comments of Examiners

- (a) Many candidates attempted the numerical correctly. In some cases the formula used was incorrect. A few candidates solved only till the multiplier and left the value of additional investment.
- (b) In some cases, consumption function was drawn as a horizontal straight line instead of positively sloped curve. Candidates could not relate income with consumption.
- (c) The term 'at full employment' was missing in the definition given by many candidates. Full employment level of income was not shown clearly in the diagram. Some candidates seemed to be confused between 'physical' and 'fiscal' measures.

Suggestions for teachers

- Explain investment multiplier mechanism clearly.
- Explain to students that autonomous consumption is a part of aggregate consumption expenditure while the other part of it is a function of national income. Students should be told that consumption is independent of income.
- Terms like 'excess demand', 'deficient demand' must be explained to students in the context of full employment level. More practice must be given in drawing correctly labelled diagrams.

MARKING SCHEME

Question 6

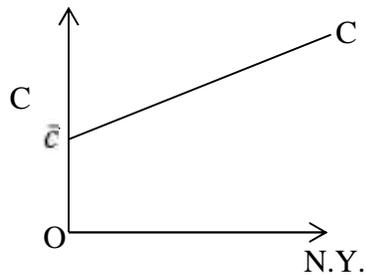
- (a) $K \Delta I = \Delta Y$. $K =$ multiplier. $\Delta Y = 1000$ $\Delta I = ?$ $K = \Delta Y / \Delta I$

$$K = \frac{1}{1-MPC} \quad K = \frac{1}{1-0.5} = 2.$$

$$\Delta I = \frac{1000}{2}$$

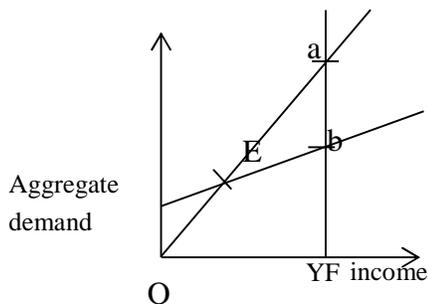
$$\Delta I = ₹ 500/-$$

- (b) Autonomous consumption is consumption when income is zero. It is independent of income.



\bar{c} is the autonomous consumption.

- (c) Deficient demand means when aggregate demand is less than aggregate supply at full employment.



At the YF (full employment, aggregate demand is less than aggregate supply. There is deficient demand of ab . This is also called the deficiency gap.

Question 7

- (a) Discuss *two* qualitative methods of credit control. [3]
- (b) Explain *any two* secondary functions of money. [3]
- (c) Discuss the various components of the *current account of balance of payment*. [6]

Comments of Examiners

- (a) A number of candidates were confused between Quantitative and Qualitative methods of credit control.
- (b) Some candidates were confused between 'primary' and 'secondary' functions of money.
- (c) Several candidates did not show the debit side or the credit side in the table. In other cases, the explanation was not complete. A glaring mistake made by candidates was the incorporation of items of 'capital account', such as, transaction of international loan, inflow and outflow of capital, etc., as components of current a/c.

Suggestions for teachers

- Clarify the meaning and significance of the terms 'quantitative' and 'qualitative'.
- Differentiate between primary and secondary functions of money.
- Teach the importance of the terms 'debit' and 'credit' in maintaining any account specially BOP.
- Clarification of terms 'current' and 'capital' is required.

MARKING SCHEME

Question 7

(a)	Qualitative methods of credit control: Moral suasion, margin requirement, publicity, credit rationing. <p style="text-align: right;">(any two)</p>
(b)	Secondary functions of money: Store of value, transfer of value, standard of deferred payment. <p style="text-align: right;">(Proper explanation of any two)</p>
(c)	Definition of Balance of current account <ul style="list-style-type: none">• Balance of Trade – Credit and debit side showing exports and imports of goods (visible items). To be explained with an example.• Balance of invisible items – credit and debit side of services like insurance, etc.• Balance of incomes – factor incomes. Wages and salaries, interest (debit and credit).• Balance of transfers (payment and income) both, debit and credit.

Question 8

- (a) Highlight *two* differences between *sales tax* and *income tax*. [3]
- (b) What is meant by: [3]
- (i) Union budget
- (ii) State budget
- (c) Explain *four* ways of *Redemption of Public Debt*. [6]

Comments of Examiners

- (a) A number of candidates gave more emphasis on the definitions of sales tax and income tax than on the differences between the two. Several candidates failed to make a mention of the impact and incidence of taxation.
- (b) Budget as ‘financial statement’ or ‘estimated income and expenditure’ was not mentioned by several candidates. Some candidates missed out the term ‘annual financial statement’. Instead of writing that the budget is prepared by the Central or Union government, some candidates wrote ‘budget is made for the economy or country as a whole’. While explaining ‘State budget’, a few candidates wrote that it is the budget made for the State instead of writing that it is the financial statement made by the state government.

Suggestions for teachers

- Emphasise upon the impact and incidence of a tax. Shifting of tax should be explained.
- For both Union budget and State budget, explain to students that budget is a financial statement of Union/State govt. for a particular year.

- (c) This part was not answered well by a large number of candidates. Some candidates wrote only the captions. In some cases, deficit financing as a way of debt redemption was mentioned which was incorrect. Repudiation of debt was written as a method of redemption by several candidates - this is not a method at all in modern times.

MARKING SCHEME

Question 8

- (a) Differences between *sales tax* and *income tax*.
- Differences: sales tax is an indirect tax whereas income tax is a direct tax.
 - Sales tax – burden is passed on to other persons, incidence and impact not on the same person.
 - Income tax – incidence and impact on the same person.
 - Examples can be given.
- (Any two differences)*
- (b) (i) Union budget:
Central government submits a budget called Union budget (financial statement of central government).
- (ii) State budget:
State government submits a budget called the state budget (financial statement of the state government).
- (c) Ways of Redemption of Public Debt:
Methods can be sinking fund approach, terminal annuity, budgetary surplus, capital, levy, export surplus, changing the rate of interest.
- (Any four can be explained.)*

Question 9

- (a) With the help of a diagram, show the *circular flow of income* in a *two sector model* with Savings and Investment. [3]
- (b) *The growth of Gross Domestic Product is not a real indicator of economic welfare.* Discuss *two* reasons to justify the given statement. [3]

(c) From the following data, calculate GNP_{MP} and NNP_{FC} by Expenditure Method.

[6]

	<u>₹ in crores</u>
(i) Mixed income of self employed	450
(ii) Compensation of employees	550
(iii) Private final consumption expenditure	1000
(iv) Net factor income from abroad	(-) 20
(v) Net indirect taxes	150
(vi) Consumption of fixed capital	170
(vii) Net domestic capital formation	380
(viii) Net exports	(-)30
(ix) Profits	400
(x) Rent	150
(xi) Interest	200
(xii) Government final consumption expenditure	550

Comments of Examiners

(a) Following errors were observed in the answers given by candidates:

- Directions of flows were improper.
- Real flow and money flow were not shown properly.
- Capital market, with proper direction of flows of saving and investment was missing.

(b) In many cases, instead of giving reasons to justify the statement, some candidates argued why PCI or real PCI is a better indicator. A number of candidates were confused as to why GDP is not a real indicator of economic welfare.

(c) The 'Net' of 'Net domestic capital formation was overlooked by a number of candidates. It was treated as 'gross' instead. Hence, instead of NDP_{mp} candidates calculated GDP_{mp} . In some cases, Income Method was used to calculate GNP_{mp} and NNP_{fc} though it was clearly mentioned in the question that the expenditure method was to be used.

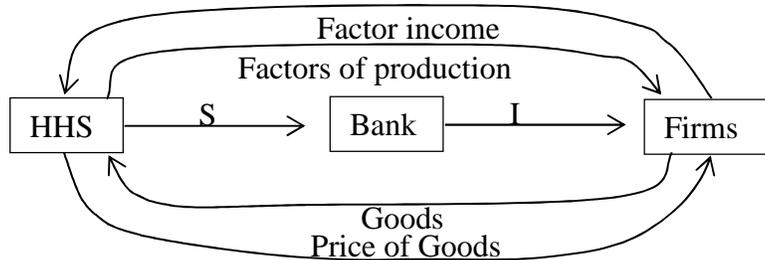
Suggestions for teachers

- Explain the 2, 3, 4 sector models clearly and emphasize on drawing arrows for real flow and money flow.
- Explain how growth of GDP is not a real indicator of economic welfare if people are not living a comfortable life – different points may be discussed.
- The concepts of GDP and aggregates of National Income should be explained clearly.
- Give regular practice to students in solving similar questions.
- Develop logical thinking and problem solving skills in students.

MARKING SCHEME

Question 9

(a) *Circular flow of income* in a Two Sector model with Savings and Investment.



(b) It is not a real indicator as it does not tell us about (i) inequality of income and wealth (ii) poverty (iii) whether present production is increased at the cost of future (iv) whether more of defence items produced. *(any two can be explained)*

(c) Expenditure Method GNP_{MP} and NNP_{FC}

$$C + I + G + (X - M) = NDP_{MP}$$

		<u>₹ in crores</u>
(C)	Private final consumption expenditure =	1,000
(I)	Net domestic capital formation =	380
(G)	Government final consumption expenditure =	550
(x-M)	Net Exports =	- 30
	$NDP_{MP} =$	1,900
	$NDP_{MP} - \text{net indirect tax} + \text{NFIA} = 1900 - 150 + (-20)$	
	$NNP_{FC} =$	1,730
	$GNP_{MP} = NDP_{MP} + \text{NFIA} + \text{depreciation} = 1900 + (-20) + 170 = 2,050$	

GENERAL COMMENTS:

(a) **Topics found difficult by candidates in the Question Paper:**

- MR – MC approach of equilibrium of a firm
- Consumer’s equilibrium
- Geometric method to calculate elasticity of supply
- Numerical on National Income.

(b) Concepts in which candidates got confused:

- Utility approach: confusion between single commodity equilibrium, more than one commodity (law of equi-marginal utility) and indifference curve approach.
- In short run equilibrium - where the normal profit will lie.
- Confusion between NDP_{mp} and GDP_{mp} in calculating NNP_{fc} .
- Concept of deficient demand.
- Components of Balance of Payment.

(c) Suggestions for candidates:

- Pay attention to each and every term used by teacher while teaching a particular topic. Ask questions in class and make sure you understand the logic.
- Practice writing answers.
- Study the entire syllabus.
- The meaning and significance of each terminology should be clear.
- Read the question paper carefully during the allotted time.
- Be sure to revise the answer script after completion of the paper.