

Time allowed: 2 Hrs 30 Min

Max Marks: 50

Roll No:

**Instruction:** Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work, please use answer sheet.

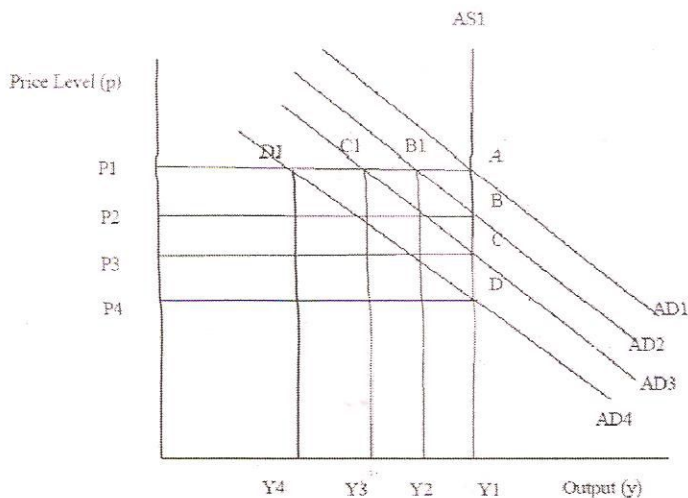
Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5(Short Questions)	5 Marks each	3*5=15
B	2 out of 3(Long Questions)	10 Marks each	2*10=20
C	Compulsory Case Study	15 Marks	15
		<b>Total Marks</b>	<b>50</b>

**Section A**

1. Explain and differentiate nominal GDP and real GDP.
2. Explain the components of the equation  $C = \bar{C} + c Y_d$
3. Does Paul Sweezy's 'kinked demand curve' model offer a convincing explanation for Price-rigidity in Oligopolistic Markets? explain
4. What is the importance of Cobb-Douglas Production Function? What are its properties?
5. Explain consumer's equilibrium by using indifference curve.

**Section B**

1. What is the difference between equilibrium and disequilibrium? When disequilibrium exists, is the amount produced determined by aggregate supply and aggregate demand? Suppose the price level  $P_1$  and output is  $Y_1$  in given below figure for aggregate supply and aggregate demand curves  $AS_1$  and  $AD_1$ . What happens to output and the price level when aggregate demand shifts leftward from  $AD_1$  to  $AD_2$  to  $AD_3$  to  $AD_4$  and prices are flexible, adjusting rapidly to shifts in supply and/or demand?



- Suppose consumption is  $INR 50 + 0.80Y_d$ ;  $I = INR 80$ ; and  $Y_d = Y$  since there is no government sector. a) Derive an equation for the saving function b) Find equilibrium output by equating saving leakages and investment injections.
- What are qualitative forecasts? What is their rationale and usefulness? Describe the most important (any two) qualitative forecasting methods?

### Section C

#### Case study

#### Price –Cutting at the Times of India

The times of India is one of the leading News papers in India. In September 2011 it lowers its price from 45 paise to 30 paise while prices of its rivals remained unchanged. The number of newspapers sold by TOI and its rivals are as follows:

	August 2011	May 2012
TOI	3 55 000	5 18 000
statesman	10 24000	9 93 000
Hindu	3 92 000	4 02 000
Hindustan times	3 25 000	2 77 000

- Based on the figures find the price elasticity of demand of TOI?
- Was the cross elasticity of demand between Statesman and TOI positive or negative?
- Would you expect it to be positive or negative? Why?