ASSIGNMENT

UNIT 1 & 2

Q.1] option C

Q.2] Option C

Q.3] Option C

Q.4] Option C

Q.5] Option C

Q.6] Option C

Q.7] Option D *

Q.8] Option D

Q.9] Option D

Q.10] Option D *

Q.11] Option D

Q.12] Option C

Q.13] Option D

Q.14] Option C

Q.15] Option D

Q.16] Option B

Q.17]

GDP = 120+60+70+20+10-10-10

= 270

Option C

18

(a) Net Domestic Income

= Mixed Income of the Self Employed + Operating Surplus + Compensation of Employees.

= 28000 + 10000 + 24000

= ₹ 62000 crore.

(b) Gross Domestic Income = Net Domestic Income + Depreciation

= 62000 + 1700

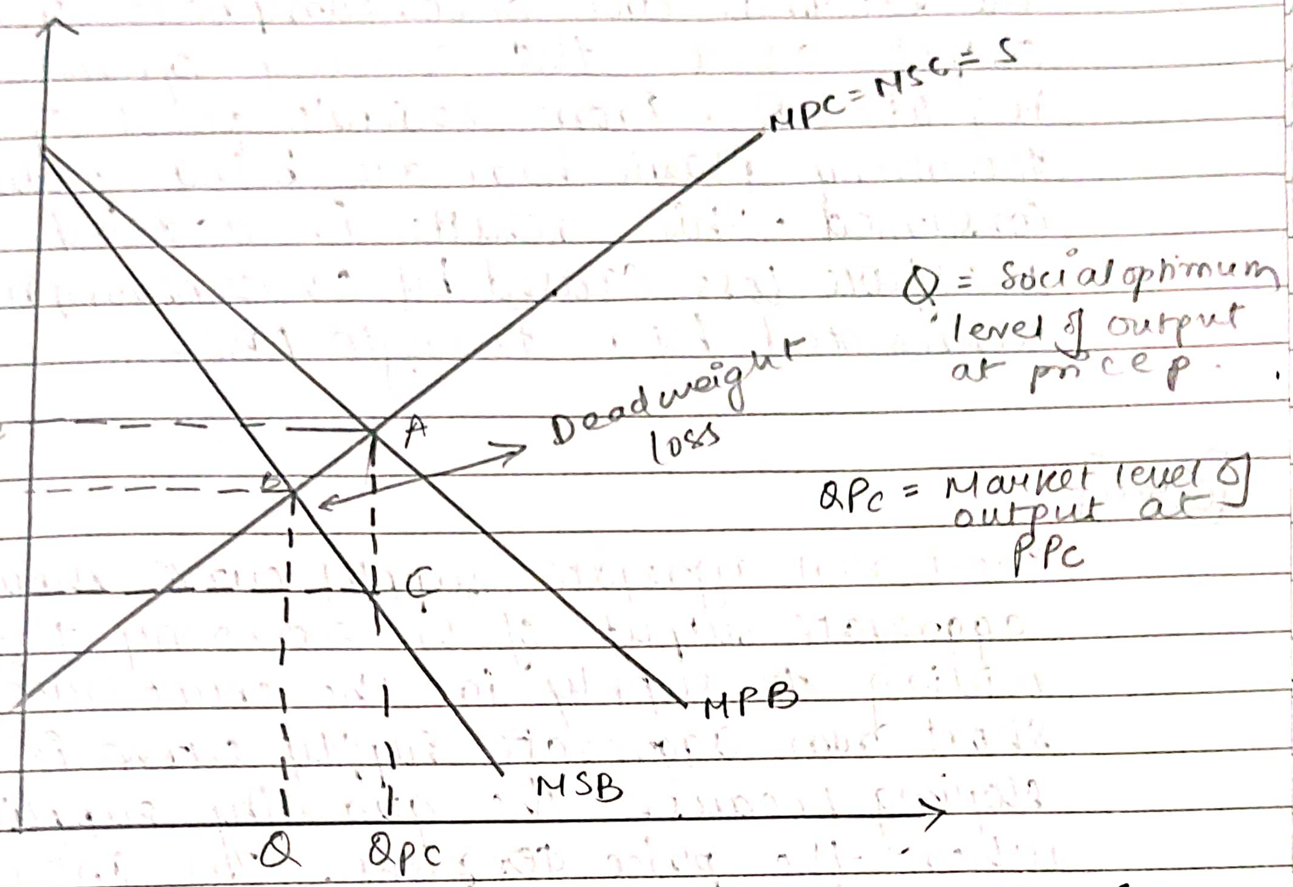
= ₹ 63700 crore

(c) Net National Income = Net Domestic Income + Net factor Income from Abroad.

= 62000 − 300

= ₹ 61700 crore.

Q.19



Since plastic causes environmental pollution it has social costs. Therefore usage of plastic causes marginal social cost (MSC) to be higher than that of Marginal private cost (MPC). Due to consumption of plastic waste animals may die. Therefore there is marginal external cost which may be incurred to keep the water bodies clean and protect animals from consumption of plastic.

~~The Benefit of consuming~~

∴ MSB of consuming plastic is lower than MPB. Without the consideration of externalities market will have an equilibrium at Ppc and Qpc. At socially optimal equilibrium the price will be p and output will be Q.

The external cost of consumption results in output above the socially optimum level i.e) QPC > Q. From society's point of view, too many plastic bags are being produced and consumed. This results in a dead weight welfare loss caused by overconsumption and represented by a triangle ABC.

[Q.20]

Short run aggregate supply curve shows the aggregate output of an economy that firms are willing to supply in the short run. The short run aggregate supply curve is upward sloping because the quantity supplied increases when the price ~~les~~ rises. In short run firms have fixed factors of production (usually capital) since wages are not fully flexible in short run. This is because workers ~~are~~ cannot immediately renegotiate their wages in response to changes in price level. Given that inflexible wages will not immediately rise to the same extent the marginal cost that firms face will not have risen as much as the marginal revenue.

Thus in short run higher prices are associated with higher output (and vice versa) and so the short-run aggregate supply curve is upward sloping.

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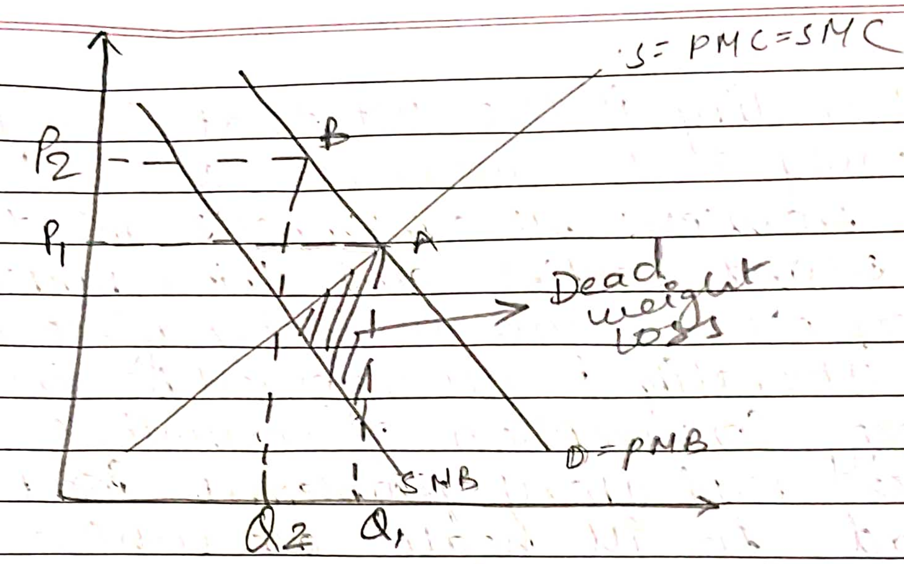
Q.21

(a) Negative externality is the cost that is suffered by a third party as a consequence of an economic transaction. producers are consumers are the first and second parties and third parties include people who are indirectly affected. Negative externality is also referred to as external cost. Consumption of cigarettes will ~~cause~~ may respiratory problems ~~&~~ this will lead to ill healt ~~as~~ which will inturn cause productivity to decrease. If productivity of workers decreases the cost of production for firms will increas- & which will cause prices to increase. If prices increases standard of living of workers will decrease. Consumption of cigarettes ~~will~~ can also put pressure on the healthcare industry.

(b) Government can implement higher levels ~~of~~ of indirect taxes on consumption of tobacco

Government should carry out campaigns (advertisments) to change people's preferences and educate them on side effects of smoking and tobacco consumption

(c)



(22)

Actual growth refers to increases in real Gross Domestic product or Gross National product. It measures the percentage increase in real Gross Domestic product from one year to the next. It can also refer to the increase in trend rate of real GDP rather than actual increase in output. Potential Economic Growth refers to the speed at which the economy could grow and to it measures the percentage increase in an economy's capacity to produce.

classmate

Date

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(23) Three methods of measuring National Income are

(i) product Method

(ii) Income Method

(iii) Expenditure Income.