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**Sardar Patel University**  
Vallabh Vidyanagar – 388 120.

**F.Y.B.A (Advanced) EXAMINATION - 2015**  
**SEMESTER II**  
**UA02CEEC02- Elements of Economic Theory-II**

Date: 10.04.2015

Time: 10.30 am to 12.30 pm

Marks: 60

**Note: All the questions are compulsory.**  
**Figures to the right indicate marks.**  
**Draw diagrams wherever necessary**

**Q.1 Do as directed -**

(15)

- A)** Public finance is concerned with the income and expenditure of -  
a. Private sector                      b. Agricultural sector  
c. Public authorities                  d. Industrial sector
- B)** The federal form of government consists of  
a. central, state and local government    b. central and state government  
c. state and local government              d. above all
- C)** Profit is reward for which factor of production?  
a. Land                                         b. labour  
c. Capital                                        d. Entrepreneur
- D)** The total money value of final goods and services produced in the country excluding depreciation is called  
a. NDP              b. GDP              c. NNP              d. GNP
- E)** Marginal revenue is the least addition made to the  
a. average revenue                              b. Total production  
c. Total revenue                                  d. None
- F)** Relationship between AR and MR under perfect competition is  
a     $AR = MR$                                          b     $P > AR = MR$   
c     $P = AR > MR$                                         d     $P = AR < MR$
- G)** Average fixed cost is obtained by dividing  
a.  $TC/Q$      b.  $TFC/Q$   
c.  $TVC/Q$     d. None
- H)** There is no difference between firm and industry under -  
a. perfect competition                              b. duopoly  
c. oligopoly    d. Monopoly
- I)** According to \_\_\_\_\_, 'Quasi-rent is the income derived from machines and other appliances for production by man'  
a. Marshall    b. Friedman    c. Adam Smith    d. Ricardo
- J)** The compulsory charge levied by the government is  
a) Licence     b) Gifts and grants  
c) Loan    d) Tax

- K)** A general rise in the price level indicates a \_\_\_\_\_ in the value of money and a general fall in prices indicates a \_\_\_\_\_ in the value of money.  
 a. Fall, rise                      b. fall, fall                      c. rise, rise                      d. rise, fall
- L)** The growth of an economy is indicated by an  
 a. Increase in general prices                      b. Increase in national income  
 c. Increase in savings                      d. Increase in investment
- M)** The condition of equilibrium in the labour market is \_\_\_\_\_  
 a.  $MCL = VMPL$     b.  $MPPL.PX$     c.  $MPP = VMPL$     d.  $MR = MC$
- N)** \_\_\_\_\_ money is held to meet an unforeseen expenditure.  
 a. Transaction    b. Precautionary    c. speculative    d. all of these
- O)** Barter System is \_\_\_\_\_

**Q2.** Explain nature and scope of public Finance. What are the sources of Public Expenditure? (15)

**OR**

**Q2.** What are the defects of Barter system? Explain the Quantity Theory of Money and the Equation of Exchange. (15)

**Q3.** Define Perfect competition. What are its characteristics? Explain how a firm under perfect competition reaches equilibrium during short run. (15)

**OR**

**Q3.** Explain the concepts of Rent, Wages and Interest. (15)

**Q4.** Attempt **ANY TWO** of the following- (15)

- i. Marginal productivity theory
- ii. Canons of taxation
- iii. Functions of money
- iv. Short run equilibrium of monopoly firm