# 2025

# LAW

## Economics-I

### Paper - 103

Full Marks : 80 Time : 3 Hours

*The figures in the right-hand margin indicate marks.*

*Candidates are required to give answers in their own words as far as practicable.*

Answer **Q. No. 1** and any **five** from the rest.

1. Answer any **ten** questions: $2\times10=20$

   a) State the Law of Diminishing Marginal Returns.

   b) What is a budget constraint?

   c) What is inflationary gap?

   d) State the nature of income-elasticity of demand for inferior goods.

   e) What are the key factors that lead to shift in the demand curve?

   f) How do you arrive at GNP from the measure of GDP?

   g) Why a monopolist doesn't have a supply curve?

*[Turn over]*

h) What is meant by price discrimination in a monopoly market?

i) Define high-powered money.

j) What is meant by incidence of taxation?

k) What is deficit financing?

l) What is Reservation Price and how is it related to consumer surplus?

2. a) What are Gross Domestic Product and Gross National Product?

b) How can you derive Net National Product from Gross National Product and Personal Income from Net National Product?

c) Compare and contrast between the Income Method and Expenditure Method of calculating national income of an economy.

3+4+5=12

3. a) Describe how the Law of Demand can be derived from the Law of Equi-Marginal Utility for a consumer facing a single-commodity world.

b) What is an indifference curve?

c) Discuss the major assumptions behind construction of an indifference curve.

d) Why are both indifference curve and budget constraint negatively sloped?

4+2+4+2=12

4. a) Discuss how the Total Effect of price change (Price Effect) faced by a consumer can be decomposed into Substitution Effect and Income Effect.

b) What is cross price elasticity? Why is it negative for some combinations of commodities like car and petrol?

c) Discuss how the value of own-price elasticity of a commodity can reveal its nature as a "Good" or "Bad" commodity.

5+(2+2)+3=12

5. a) Why does a monopoly arise in an economy?

b) Elaborate the differences between the profit maximizing equilibrium conditions of a firm in Perfect Competition and a monopolist.

c) Briefly state the policies government can take to restrict the power of a monopolist.

2+7+3=12

6. a) What is zero base budgeting?

b) Discuss the major sources of tax and non-tax revenues of a government.

c) Define Revenue Deficit, Budget Deficit and Fiscal Deficit.

d) Why it is said that the burden of both direct and indirect taxes actually falls on the consumers in an economy? 1+3+6+2=12

7. a) What are creeping inflation and hyper-inflation?

b) What are the major causes of inflation?

c) Compare and contrast between demand-pull inflation and cost-push inflation.

4+4+4=12

8. a) What are the major functions of money?

b) Discuss the Central Bank's role in supplying money highlighting on the major instruments that the bank uses for regulating the money supply.

c) Discuss briefly the functions of the commercial banks. 2+7+3=12

9. a) What are the basic assumptions of an oligopoly market?

b) What in reality causes entry deterrence in an oligopoly market?

c) Why is a cartel in an oligopoly market not accepted legally in general?

d) Discuss the importance of anti-trust laws.

3+2+4+3=12