INDIAN SCHOOL SOHAR
FIRST TERM EXAM 2014 - 2015
ECONOMICS

Date: -14.09.2014Marks: - 100

STD: - XII Time: - 3hrs

General Instructions:-

1) All questions in both the sections are compulsory.
2) Questions 1 to 4 and 16 -19 are very short answers questions carrying 1 mark for each part. They are required to be answered in one sentence each.
3) Questions 5 to 8 and 20 to 23 are short answer questions carrying 3 marks each. Answer to them should not exceed 75 words each.
4) Questions 9 to 11 and 24 to 26 are also short answer questions of 4 marks each. Answer to them should not exceed 90 words each.
5) Questions 12 to 15 and 27 to 29 are long answer questions of 6 marks each. Answer to them should not exceed 150 words each.
6) Questions marked star (*) are value based questions.
7) Answer should be brief and to the point and word limits be adhered to as far as possible.

SECTION A –MICRO ECONOMICS

1. * A farmer is getting more profit in producing opium than in the production of wheat. In the situation of a famine which crop should he produce? [1]
2. Explain the production function. [1]
3. How does the average fixed cost behave as output is increased? [1]
4. Define giffen goods. [1]
5. The price elasticity of demand of good X is half the price elasticity of demand of good Y. A 25% rise in the price of good Y reduces its demand from 400 units to 300 units. Calculate percentage rise in demand of good X when its price falls from ₹10 to ₹ 8 per unit. [3]
6. What would be the effect of the following on supply curve [3]
   a. Decrease in taxes on products
   b. Increase in the price of inputs
   c. Rise in its own price.
7. Explain the conditions of consumer’s equilibrium using the concept of indifference curve. [3]
8. Differentiate between: [3]
   a. Explicit cost and implicit cost
   b. Short period and long period
9. Differentiate between [4]
   a. Substitute goods and complementary goods
   b. Increase in demand and expansion of demand

10. Define Production possibility frontier. What does the slope of the PPC indicate? Explain the central problem of " How to produce". [4]

OR

What is marginal opportunity cost? Explain how the PPC is affected when resources are inefficiently used in an economy.

11. Explain the geometric method of measuring elasticity of supply. [4]

12. A. With the help of a schedule and diagram, explain the relationship between AR and MR. [6]

B. AC curve is always U shaped. Give reasons

OR

What is profit maximization? What conditions must hold if a firm has to maximize its profit in a competitive market?

13. Explain the likely behavior of the Total Product and Marginal Product when one input is increased while all other inputs are kept unchanged. [6]

OR

Explain the determination of abnormal profit under short run equilibrium in

A. Perfectly competitive market
B. Imperfect competition

14. Define elasticity of demand. What are the different degrees of elasticity of demand? [6]

OR

Define demand function. Explain the factors which affect the market demand?

15. Explain the conditions of a producer's equilibrium using MC and MR approach. [6]

OR

From the given schedule find out the level of output at which the producer will be in equilibrium.

Give reasons for your answer

Output (units)	1	2	3	4	5	6	7
Price (₹)	24	24	24	24	24	24	24
Total cost (₹)	26	50	72	92	115	139	165

SECTION B –MACRO ECONOMICS

16. Define barter system. [1]
17. State any two sources of non-tax revenue receipts. [1]
18. What is the effect of appreciation of domestic currency on imports? [1]
19. * Should a deficit in the current account be a cause of alarm? Explain. [1]
20. What do you mean by current account in the balance of payment? What are its components? [3]
21. Define money supply. What are the measures of money supply? [3]
22. Explain the banker, advisor and agent to the government function of the Central bank. [3]
23. From the budget estimates of Government of India for the year 2000 – 2001, calculate
    (a) Revenue Deficit
    (b) Primary Deficit
    (c) Fiscal Deficit

Items	(in₹ Crores)
1. Plan capital expenditure	120
2. Interest payments	30
3. Capital receipts net of borrowings	140
4. Revenue expenditure	100
5. Non – plan expenditure	80
6. Revenue receipts	70

24. Differentiate between [4]
    a. Accommodating and autonomous items
    b. Spot market and forward market
25. Define fiscal deficit. What are the implications of fiscal deficit? [4]
26. Explain the causes responsible forunfavorable balance of payment in India. Suggest measures to correct the balance of payment deficit. [6]

OR

Differentiate between

A. Balance of trade and balance of payment
B. Managed floating and dirty floating
C. Appreciation of domestic currency and depreciation of domestic currency

27. Differentiate between : [6]

A. Direct tax and indirect tax.

B. Revenue receipt and capital receipt

OR

India is suffering from the problem of inequality in distribution of income and wealth and improper allocation of resources. How can a budget be used as an instrument to reduce this inequality and proper allocation of resources?

28. Explain the process of credit creation of the commercial banks with the help of a numerical example. [6]

OR

Define money. How does the use of money overcome the drawbacks of the barter system?

29. How is foreign exchange rate determined under flexible exchange rate regime? Explain with the help of a diagram. [6]

OR

Explain the disequilibrium conditions under equilibrium exchange rate if there is a

A. Change in demand for dollar

B. Change in supply of dollar