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INDIAN SCHOOL SOHAR
SECOND TERM EXAM 2014 - 2015
ECONOMICS

Date: - 01.12.2014 **Marks: - 100**
STD: - XII **Time: - 3hrs**

General Instructions:-

1) All questions in both the sections are compulsory.
2) Questions 1- 4 and 15 -18 are very short answers questions carrying 1 mark for each part. They are required to be answered in one sentence each.
3) Questions 5 - 8 and 19 - 22 are short answer questions carrying 3 marks each. Answer to them should not exceed 75 words each.
4) Questions 9 - 10 and 23 to 25are also short answer questions of 4 marks each. Answer to them should not exceed 90 words each.
5) Questions 11 - 14 and 26 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 country's resources are fully and efficiently employed. The problem of scarcity exists. What advice will be given to raise the efficiency level of the human resource to fight scarcity? [1]
2. What does a Production Possibility curve show? [1]
3. What is price maker firm? [1]
4. Define cartel? [1]
5. "Economics is about making choice in the presence of scarcity." Explain. [3]
6. Define supply. What is the likely effect on the supply of a commodity if the prices of the inputs used in the production of the good falls? Use diagram. [3]
7. A consumer buys 70 units of a good at a price of ₹7 per unit. When the price falls to ₹ 6 per unit he buys 90 units. Use total expenditure method to find the elasticity of demand. [3]
8. Differentiate between monopoly competition and monopolistic competition. [3]
9. Explain the inverse relationship between price and quantity demanded of a commodity. [4]
10. Explain the Law of variable proportion with the help of total physical product curve and marginal physical product curve. [4]
11. A. Differentiate between cardinal utility approach and ordinal utility approach. [3]
    B. Explain the concept of Marginal Rate of Substitution (MRS) by giving an example. What happens to MRS when consumer moves downwards along the indifference curve? Give reasons for your answer. [3]
12. If the demand and supply of a commodity both increase, the equilibrium price may not change, may increase, may decrease. Explain with the help of a diagram. [6]

OR

Market for a good is in equilibrium. Explain the chain of reactions in the market when there is

1. Decrease in supply
2. Increase in demand for that good.

13. Define elasticity of supply. Explain with the help of diagrams the different types of elasticity of supply.

OR

A. What is producer's equilibrium? Explain the conditions of producer's equilibrium through the Total cost and Total revenue approach. [3]

B. Find out the profit maximizing position of a producer on the basis of the following data. [3]

Output (in units)	**AR (in ₹)**	**AC (in ₹)**
1	9	3
2	9	4
3	9	5
4	9	6
5	9	7

14. A. X and Y are substitute goods. Explain the effect of a fall in the price of X on the demand of Y.[3]

B. Explain the relationship between Average variable cost and marginal cost. Draw diagram. [3]

SECTION B –MACRO ECONOMICS

15. Define bank Rate. [1]
16. Define tax. [1]
17. Explain real exchange rate. [1]
18. Define investment demand. [1]
19. Explain inflationary gap. Explain the role of open market operation in the correcting excess demand in the economy. [3]
20. Explain the various classifications of money. [3]
21. * Giving reasons catagorise the following into revenue expenditure and capital expenditure. [3]
    A. Subsidies given by the government
    B. Defence equipment purchased from Germany.
    C. Expenditure incurred on administrative and defence services.
22. Explain the circular flow of income in a three sector closed economy. [3]
23. What is revenue deficit? What are the implications of a large revenue deficit? [4]
24. Distinguish between central bank and commercial bank. [4]

25. A. In an economy due to an increase in investment by ₹ 60 crores, national income rises by ₹ 240 Crores. Calculate Marginal propensity to save.

B. Find investment from the following. [4]

National income = ₹ 800 Crores

Autonomous consumption = ₹ 50 Crores

Marginal propensity to consume = 0.8

26. Explain the determination of national income based on Aggregate demand and aggregate supply. [6]

OR

Differentiate between:

A. Induced investment and autonomous investment

B. Average propensity to consume and Marginal propensity to consume.

27. What do you mean by foreign exchange market? What are its functions? How does the foreign exchange market operate? [6]

OR

A. Explain currency appreciation. Draw diagram.

B. "Balance of payment always balances." Explain.

28. A. How will you treat the following while estimating national income of India? [3]

1. Scholarship given to Indian students studying in India by a foreign company.
2. Wheat grown by a farmer but used entirely for family's consumption.
3. Expenditure on adding a floor to a building.

B. From the following data calculate the Net Value Added at Factor Cost. [3]

S. No	**Items**	**In ₹ Crores**
1	Purchase of raw materials from domestic market	400
2	Increase in unsold stock	60
3	Import of raw material	120
4	Domestic sales	1200
5	Replacement of fixed capital	50
6	Power charges	20
7	Exports	200
8	Import of machinery	40
9	Value added taxes	10
10	Subsidies	30
11	Goods used for self-consumption	10

29. Calculate NNP at MP by (a) Expenditure method and (b) Income method [6]

S.No.	**Items**	**In ₹ crores**
1	Personal consumption expenditure	1400
2	Wages and salaries	1400
3	Employer's contribution to social security	200
4	Contribution to provident fund by the employees through employer	100
5	Gross business fixed capital formation	120
6	Gross residential construction investment	120
7	Gross public expenditure	480
8	Rent	100
9	Inventory investment	40
10	Dividend and corporation tax	120
11	Corporation saving	80
12	Excess of export over imports	40
13	Interest	80
14	Mixed income of the self employed	200
15	Net factor income to abroad	20
16	Depreciation	0
17	Indirect taxes	40
18	Subsidy	20

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