



INDIAN SCHOOL SOHAR
SECOND TERM EXAM
ECONOMICS

Date: - 29.11.2015
STD: - XII

Marks: - 100
Time: - 3hrs

General Instructions:-

- 1) All questions in both the sections are compulsory.
- 2) Questions 1- 5 and 17 - 21 are multiple choice questions carrying 1 mark for each part.
- 3) Questions 6 - 8 and 22 – 24 are short answer questions carrying 3 marks each. Answer to them should not exceed 75 words each.
- 4) Questions 9 – 12 and 25 - 26 are also short answer questions of 4 marks each. Answer to them should not exceed 90 words each.
- 5) Questions 13 – 16 and 27 - 30 are long answer questions of 6 marks each. Answer to them should not exceed 150 words each
- 6) Answer should be brief and to the point and the above word limit should be adhered to as far as possible.

SECTION A –MICRO ECONOMICS

1. The problem of what to produce relates to 1
- a. Market value of goods and services
 - b. The choice of goods and services
 - c. The choice of technique
 - d. Distribution of income

2. Using Total expenditure method, what is E_D when price and demand are as under 1

Price	10	15
Demand	40	20

- a. $E_D = 1$
 - b. $E_D = 0$
 - c. $E_D > 1$
 - d. $E_D < 1$
3. In case of Giffen Paradox the slope of the demand curve is: 1
- a. Negative
 - b. Positive
 - c. Parallel to Y axis
 - d. Parallel to x axis
4. What would price ceiling lead to when the maximum price is fixed lower than the equal price? 1
- a. Excess demand
 - b. Deficient demand
 - c. Excess supply
 - d. Deficient supply

5. At breakeven point, a firm makes: 1
- Normal profit
 - Extranormal profit
 - Extranormal loss
 - None of these

6. A dentist is charging ₹300 for a standard clearing job and per month it used to generate total revenue equal to ₹ 30,000. She has since last month increased the price of dental clearing to ₹ 350. As a result, few customers are now coming for dental clearing, but the total revenue is now ₹ 33,250. From this what can we conclude about the elasticity of demand for such clearing services? Calculate price elasticity of demand using proportionate method. 3

7. Calculate total revenue, marginal revenue and average revenue. The market price of each unit of good is ₹10. 3

Quantity sold	0	1	2	3	4	5	6
TR (₹)							
AR (₹)							
MR(₹)							

8. Define Marginal rate of transformation. What does the slope of the PPC indicate? 3
9. An individual is both the owner and the manager of a shop taken on rent. Identify the implicit and explicit cost on the basis of this information. Differentiate between Explicit cost and Implicit cost 4
10. Explain consumer's equilibrium in case of a single commodity when marginal utility of money is greater than 1. 4
11. Define marginal cost. State the relationship between marginal cost and average cost. Use schedule and diagram. 4
12. Government of India has started "Make in India" programme. Under this programme it has been giving subsidies to small producers. How will it affect equilibrium output and price? What economic value does it indicate? 4
13. Define monopoly. How is it different from oligopoly? What are the reasons for the emergence of monopoly in an economy? 4

OR

Explain the implication of the following:

- The feature of "differentiated product" under monopolistic competition.
- The feature of "free entry and exit" under perfect competition.
- The feature of "uniform price" in perfect competition

14. Explain the Law of Variable Proportion in terms of the behavior of marginal product and total product. What are the main reasons for the operation of the law? 6
15. A. Explain the concept of cross price effect.
B. What are monotonic preferences? If a consumer has monotonic preferences, can she be indifferent between bundles(10,8) and (8,6)

SECTION B –MACRO ECONOMICS

16. Unilateral transfers in the balance of payments include: 1
- a. Donation and gifts from other countries
 - b. Export of food grains
 - c. Transfer of gold
 - d. Interest on investments
17. According to the Adjustable Peg System of Exchange Rate 1
- a. Parity between two currencies was determined by the government.
 - b. US dollar was assigned gold value at a fixed price.
 - c. The value of the exchange rate is fixed once for all
 - d. Exchange rates can be changed without any rules and regulations
18. Which of the following is not true for fiscal deficit? A fiscal deficit: 1
- a. Represents the borrowings of the government
 - b. Is the difference between total expenditure and total receipts of the government
 - c. Is the difference between total expenditure and total receipts other than borrowings
 - d. Increases future liability of the government
19. If disposable income is ₹ 100 and consumption expenditure is ₹ 80, find APS. 1
- a. 0.2
 - b. 0.5
 - c. 0.8
 - d. 0.3
20. According to the value added method of measuring national income which of the following items will not be added? 1
- a. Production for self-consumption
 - b. Imputed rent
 - c. Brokerage earned by selling second hand goods
 - d. Sale of second hand goods
21. Define repo rate. How does it increase the money supply in the economy? 3
22. Define primary deficit. Why is it calculated? What does zero primary deficit imply? 3

23. Can gross domestic product be used as an index of welfare of the people? Give reasons 3

OR

How would you treat the following while estimating domestic factor income of India? Give reasons for your answer.

- A. Salary received by Indian residents working in American embassy in India.
- B. Profits earned by Indian company from its branches in Singapore.
- C. Remittance from non-resident Indians to their families in India.

24. Calculate net value added at factor cost by a farmer producing wheat. 4

S.No.	Items	In ₹ crores
1.	Sale of wheat in the local market	6,80,000
2.	Purchase of tractor	5,00,000
3.	Procurement of wheat by the government from the farmer	20,000
4.	Consumption of wheat by the farmer's family	5,000
5.	Subsidy	2,000
6.	Expenditure on maintenance of existing capital stock	10,000

25. Draw consumption curve and saving curve in a single diagram and outline the steps taken in deriving the consumption curve from the saving curve.

OR

Distinguish between

- A. Full employment and under employment
- B. Inflationary gap and deflationary gap

26. In the Government of India budget for the year 2015 – 2016, the finance Minister proposes to raise the excise duty on cigarettes. He also proposes to increase the income tax on individual earnings more than ₹ one crore per annum. 4

Identify and explain the types of taxes proposed by the finance minister. Was the objective only to earn revenue for the government? What possible welfare objectives could the Government be considering?

27. A. In an economy planned savings is less than planned investment. Explain how the economy achieves equilibrium level of national income. 6

B. From the following data, find whether the economy is in equilibrium or not.

National income is = ₹ 250 Crores

Autonomous investment = ₹ 10 crores

Autonomous consumption = ₹ 40 crores

Marginal propensity to consume = 0.8

28. Explain the working of the investment multiplier with the help of a numerical example. 6
29. A. What does a deficit in the current account of the balance of payment indicate? How can the disequilibrium in the current account of balance of payment be corrected? 6
 B. Why does the demand for foreign exchange rise when its price falls?
30. Calculate 6
- A. Personal income
 B. Private income
 C. Personal disposable income

S No.		In ₹ Cr
1	Income from property and entrepreneurship accruing to government administrative department	100
2	Savings of non-departmental enterprise	80
3	Factor income from NDP accruing to private sector	500
4	Corporation taxes	30
5	Savings of private corporate sector	65
6	Direct taxes paid by household	20
7	Current transfers from government administrative departments	10
8	Current transfers from abroad	20
9	Factor income to abroad	15
10	Operating surplus	150
11	Factor income from abroad	5

OR

Calculate NNP_{MP} by

- A. Expenditure method and
 B. Income method

S.No.	Items	In ₹ crores
1	Personal consumption expenditure	1400
2	Wages and salary	1400
3	Employers contribution to social security	200
4	Contribution to provident fund by the employees through the 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 corporate profit tax	120
11	Corporate savings	80
12	Excess of export over imports	40
13	Interest	80
14	Mixed income of the self employed	200
15	Net factor income from abroad	20
16	Depreciation	0
17	Indirect taxes	40
18	Subsidies	20