



**INDIAN SCHOOL SOHAR**  
**PRE BOARD EXAM**  
**ECONOMICS**

**Date: - 10.01.2016****Marks: - 100****STD: - XII****Time: - 3hrs****General Instructions:-**

- 1) All questions in both the sections are compulsory. However there is an internal choice in some questions.
- 2) Questions 1- 5 and 16 – 20 are multiple choice questions carrying 1 mark for each part.
- 3) Questions 6 - 8 and 21 – 23 are short answer questions carrying 3 marks each. Answer to them should not exceed 75 words each.
- 4) Questions 9 – 11 and 24 - 26 are also short answer questions of 4 marks each. Answer to them should not exceed 90 words each.
- 5) Questions 12 – 15 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. Central problems are the same for all countries 1
  - a. Hence their solution is the same in all types of economies.
  - b. But their solution is different in different types of economies.
  - c. Yet all countries cannot solve them
  - d. Yet nothing can be said about their solution.
2. Ceteris paribus, if the government provides subsidies on electricity bills, what would be the likely change in the market demand of coolers? 1
3. As a rise in the income of the consumer, demand curve for coarse grain: 1
  - a. Shifts to the left.
  - b. Shifts to the right.
  - c. Becomes a horizontal straight line
  - d. Becomes a vertical straight line
4. Which market induces trusts and cartels? 1
  - a. Monopoly
  - b. Monopolistic
  - c. Oligopoly
  - d. Perfect competition
5. When is the consumer said to have attained the “Point of Satiety”? 1
6. How are the firms in an oligopoly market interdependent on each other? 3

OR

Define monopoly. Explain any two sources of restricted entry under monopoly.

7. Demand schedule of x good

Demand schedule of y good

3

Price (₹)	8	4
Quantity demand	10	12

Price (₹)	8	6
Quantity demand	10	25

A. Find out the elasticity of demand on the basis of the given information

B. Which one of them is more elastic and why?

8. Identify the phases of the Law of Variable Proportion from the following and also give reasons behind each phase. 3

Units of variable inputs	1	2	3	4	5
Total physical product	10	22	30	35	30

9. Why do households buy more at lower prices than at higher prices? 4

10. Give reasons for the following: 4

A. Growth of an economy is represented in the form of a rightward shift of a production possibility frontier

B. Problem of choice arises because available resources have alternative uses.

11. An increase or decrease in the rate of excise tax shifts the supply curve of a commodity. Explain. Use diagrams. 4

12. Give reasons for the following: 6

A. An indifference curve always slopes downwards from left to right.

B. Demand for salt is highly inelastic.

C. In perfect competition, industry is the price maker and firm is the price taker.

13. A. Explain the concept of “Buffer Stock” as a tool of price floor. 6

B. Explain “Black marketing” as a direct consequence of price ceiling.

OR

Suppose the demand and supply of a commodity X is given by the following two equations simultaneously:  $Q_D = 200 - P$        $Q_S = 50 + 2P$

A. Find the equilibrium price and equilibrium quantity.

B. Suppose the price of a factor of production producing the commodity has changed, resulting in the new supply curve given by the equation  $Q_S = 80 + 2p$ . Analyze the new equilibrium price and equilibrium quantity.

14. A. Explain any three factors affecting elasticity of supply. 6

B. Explain the concept of breakeven point with the TC and TR approach. Use diagram.

15. A. Given below is the utility schedule of a consumer for commodity X. the price of the 6

commodity is ₹6 per unit. How many units should the consumer purchase to maximize his satisfaction? (Assume that utility is expressed in utils and 1 util = ₹1).

Consumption(units)	Total utility (Utils)	Marginal Utility( Utils)
1	10	10
2	18	8
3	25	7
4	31	6
5	34	3
6	34	0

B. Calculate economic cost and explicit cost of the following.

S.No.	Items	In (₹) Crores
1	Purchase of raw materials	200
2	Payment of wages	500
3	Payment of rent	50
4	Donations	100
5	Expected value of services of owner	300
6	Expected supernormal profit	240
7	Expected minimum profit	40

### SECTION B –MACRO ECONOMICS

16. A stock variable 1
- a. Does not have a time dimension
  - b. Necessarily has a time dimension
  - c. Depends on the nature of the good
  - d. Is related with durability
17. Net capital formation causes 1
- a. Increase in production capacity
  - b. Increase in depreciation
  - c. Increase in profit
  - d. Increase in cost
18. Revenue deficit are equal to 1
- a. Disinvestment
  - b. Borrowing
  - c. Receipts from tax revenue and non-tax revenue
  - d. Recovery of loss

19. Define Reverse Repo Rate. 1
20. What is the flow of goods and services and factors of production across different sectors in a barter economy known as? 1
21. Money performs a number of functions. Some of these functions of money are called derived function. Explain the derived functions of money. 3
22. In an economy,  $S = -100 + 0.6 Y$  is the saving function, where S is savings and Y is National income. 3  
If the investment expenditure is ₹ 1100 Crores, calculate:
- Equilibrium level of national income
  - Consumption expenditure at equilibrium level of national income

OR

There is an inverse relationship between the value of marginal propensity to save and investment multiplier. Explain the statement. Derive the formula.

23. Calculate operating surplus and national disposable income. 3

S.No.	Particulars	In ₹ Crores
1	Net current transfers from the rest of the world	25
2	Net indirect taxes	150
3	Depreciation	50
4	Net factor income from the rest of the world	155
5	Income from entrepreneurship and property from the rest of the world	75
6	Gross domestic product at market price	1050
7	Mixed income of the self employed	500
8	Compensation of employees	110

24. Suppose all the customers of a commercial bank demand for their deposits at the same time then how does the Central bank help the Commercial Banks handle this situation. 4
25. What are the components of aggregate demand? Explain. 4

OR

Differentiate between

- Intermediate product and final product
  - Real GDP and Nominal GDP
26. What is fiscal policy? How is it used to correct the problem of excess demand in an economy? 4
27. Differentiate between 6
- Currency appreciation and currency depreciation
  - Spot market and forward market.
  - Autonomous transactions of balance of payment and accommodating transactions of balance of payment

28. A. In an economy 75% of the increase in income is spent on consumption. Investment is increased by ₹ 1000 Crores. Calculate (a) Total increase in Income and (b) Total increase in consumption expenditure. 6
- B. Differentiate between autonomous investment and induced investment

29. Explain the problem of double counting in estimating the national product of a country. How can this problem be avoided? 6

OR

Describe the steps involved in estimation of national income by value added method.

30. From the following data calculate  $GDP_{MP}$ . 6

S. No.	Item	In (₹) Crores
1	Consumption of fixed capital	225
2	Saving of non-departmental enterprises	30
3	Savings of private corporate sector	15
4	Net indirect taxes	350
5	Interest on national debt	40
6	Personal disposable income	2700
7	Net current transfers from government administrative department	45
8	Income from property and entrepreneurship to government administrative department	60
9	Corporation tax	35
10	Direct tax paid by households	25
11	Net factor income from abroad	(-) 20
12	Other current transfer from rest of the world	50