



INDIAN SCHOOL SOHAR
SECOND TERM EXAM
ECONOMICS [030]

Date: - 26.11.2016

Marks: - 100

STD: - XII

Time: - 3hrs

General Instructions:-

- 1) All questions in both the sections are compulsory.
- 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.
- 7) Attempt all parts of a question together.

SECTION A –MICRO ECONOMICS

1. If the demand curve of a firm is a horizontal straight line 1
 - a. A firm can sell any amount at the existing price
 - b. A firm can sell only a specified amount at the existing price
 - c. All firms will sell equal amount of a commodity
 - d. Firms can differentiate their product.
2. Slope of PPC between point N and point M is: 1
 - a. 3
 - b. 20
 - c. 2.5
 - d. 3.5

The graph shows a concave Production Possibility Curve (PPC) between Good X (horizontal axis) and Good Y (vertical axis). Point N is at (20, 80) and Point M is at (30, 50). Dashed lines connect these points to their respective values on the axes.
3. When 5 units of a good are sold, total revenue is ₹100. When 6 units of the goods are sold, marginal revenue is ₹ 8. At what price are 6 units of the good sold? 1
 - a. ₹ 28 per unit
 - b. ₹ 20 per unit
 - c. ₹ 18 per unit
 - d. ₹ 12 per unit
4. The minimum assured price offered by the government to the farmers for the purchase of their output is called 1
 - a. Ceiling price
 - b. Equilibrium price
 - c. Support price
 - d. Market price

5. State two features of resources that give rise to an economic problem. 1
6. "Higher indifference curve represents higher level of satisfaction to the consumer." Explain the statement. Also state the underlying assumption related to this property of indifference Curve. 3
7. Define marginal product. State the behavior of the marginal product when only one input is increased and other inputs are held constant. 3

OR

Define fixed cost. Explain the behavior of the average fixed cost as output increases.

8. How does the nature of the commodity affect its price elasticity of demand? 3
9. Explain the factors that changes supply of a commodity. 4
10. What will be the impact of large scale outflow of foreign capital on Production Possibility Curve of the economy and why? 4
11. Explain any two sources of restricted entry under monopoly. 4

OR

Explain minimum price ceiling? Explain its implications.

12. Comment on the degree of elasticity of demand for Good X in the following given situation, if the price of the commodity rises from ₹5 per unit to ₹ 7 per unit and the quantity demanded falls from 20 units to 16 units. 6
 - a. Use the total expenditure method.
 - b. Use proportionate method

13. Complete the cost schedule: 6

Units	TC	TFC	AFC	TVC	AVC	AC	MC
0		50					
1							20
2					18		
3	98						
4				58			

14. Why is equality between marginal cost and marginal revenue necessary for a firm to be in equilibrium? Is it sufficient to ensure equilibrium? Explain. 6
15. Market for a good is in equilibrium. There is simultaneous decrease in both demand and supply of the good. Explain its effect on market price. 6

OR

What will be the effect on equilibrium price and equilibrium quantity when

- a. Price of inputs increases.
- b. Rise in the price of complementary goods

SECTION B: MACRO ECONOMICS

16. According to the value added method of measuring national income which of the following items will not be added? 1
- Production for self-consumption
 - Imputed rent
 - Brokerage earned by selling second hand goods
 - Sale of second hand goods
17. What is meant by margin requirement of loans? 1
18. What does zero primary deficit mean? 1
19. The government budget of a hypothetical economy presents the following information. Which of the following values represent budgetary debt. 1

S No.	Particular	In ₹ Crores
A	Revenue expenditure	25,000
B	Capital receipts	30,000
C	Capital expenditure	35,000
D	Revenue receipts	20,000
E	Interest payments	10,000
F	Borrowings	20,000

- ₹ 12,000
 - ₹ 10,000
 - ₹ 20,000
 - ₹ 35,000
20. If real GDP is ₹300 and nominal GDP is ₹ 330 calculate the price index (base = 100). 1
21. “Money separates the acts of purchase and sale.” Explain the statement. 3

OR

What is Legal Reserve Ratio? Explain its components.

22. Government of India has recently launched “Jan Dhan Yojana” aimed at every household in the country to have at least one bank account one bank account. Explain how deposits made under this scheme are going to affect the national income of the country. 3
23. Calculate value of output, intermediate consumption, NVA at FC 3

S No.	Particulars	In ₹ Cr
1	Purchase of raw material from domestic market	400
2	Increase in the unsold stock	60
3	Import of raw materials	120
4	Domestic sales	1200

5	Replacement of fixed capital	50
6	Power charges	20
7	Export	200
8	Import of machinery	40
9	Value added taxes	10
10	Subsidies	30
11	Goods used for self-consumption	10

24. "Governments across nations are too much worried about the term public debt." Do you think public debt imposes a burden on the government? Give reasons in support of your answer 4
25. Differentiate between 4
- Bank rate and repo rate
 - Qualitative instruments of credit control and quantitative instruments of credit control
26. Will the following be included in the national income of India? Give reasons. 4
- Profits earned by an Indian bank from its branches abroad.
 - Interest received on loans given to a friend for purchasing a car
 - Expenditure on maintaining a building
 - Financial help received by flood victims.

OR

Differentiate between

- GDP at constant prices and GDP at current prices
 - Intermediate goods and final goods
27. Indian investors lend abroad. Answer the following questions. 6
- In which sub account and on which side of balance of payments account will lending of foreign investors to abroad be recorded? Give reasons.
 - Explain the impact of lending on foreign exchange rate.
28. A. Explain the role of the government budget in controlling inflationary and deflationary tendencies. 6
- B. Differentiate between revenue receipt and capital receipt.
29. A. "Devaluation and depreciation of currency are one and the same." Do you agree with this statement? Give reasons. 6
- B. Differentiate between managed floating and dirty floating. Also explain any three functions of foreign exchange market.

- 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 net of retained earnings of foreign companies	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

Find Gross Domestic Product at Market Price with the help of income and expenditure methods using following data

S no.	Particulars	₹ (in crores)
1	Final consumption expenditure	6500
2	Final consumption expenditure of nonprofit organizations serving household	1500
3	Wages and salaries	9000
4	Operating surplus	2000
5	Mixed income	5000
6	Net indirect tax	1500
7	Depreciation	2500
8	Net occupational fixed investment	4000

9	Net house construction investment	1200
10	Net government expenditure	800
11	Stock investment	2000
12	Net factor from abroad	1000
13	Government final consumption expenditure	2000
14	Net exports	2000
