



**INDIAN SCHOOL SOHAR**  
**PRE BOARD**  
**ECONOMICS [030]**

**Date: - 11.1.2017**  
**STD: - XII**

**Marks: - 100**  
**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. How does low cost technology affect the equilibrium price and equilibrium quantity? 1
  - a. Equilibrium price and quantity both will fall
  - b. Equilibrium price and quantity both will rise
  - c. Equilibrium price will fall and quantity will rise
  - d. Equilibrium price will rise and quantity will fall
2. In which form of market the demand curve for the firm's product is more than unitary elastic? 1
  - a. Monopoly
  - b. Perfect competition
  - c. Monopolistic competition
  - d. Oligopoly
3. The following table shows the production possibility of cricket bats and sarees of an imaginary 1  
economy.

Cricket bats ( in thousands)	0	1	2	3	4	5
Sarees ( in Lakhs)	75	70	62	50	30	0

If the production of cricket bats is increased from 3 thousand to 4 thousand, what is the opportunity cost that the economy has to bear?

- a. Zero
- b. 8 lakh sarees
- c. 30 lakh sarees

d. 20 lakh sarees

4. Budget set is 1
- Right angle triangle formed by the budget line with axes.
  - All points on the budget line.
  - Points inside the budget line.
  - Points on Y axis from where budget line starts and the points on X axis where budget line ends.

5. Marginal product , mathematically, is the slope of the 1
- Total product curve
  - Average product
  - Marginal product
  - Implicit product curve

6. From the following schedule find out the level of output at which the producer is in equilibrium. 3  
Calculate profit. Give reasons for your answer.

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

7. What is likely to be the impact of “Make in India” appeal to the foreign investors by the Prime Minister of India on the Production possibility frontiers of India? Explain. 3

OR

Assuming that no resource is equally efficient in production of all goods, name the curve which shows production potential of the economy. Explain, giving reasons its properties.

8. A consumer spends ₹ 1000 on a good priced at ₹ 8 per unit. When price rises by 25 percent, the consumer continues to spend ₹ 1000 on the good. Calculate price elasticity of demand by the percentage method. 3
9. A consumer consumes only two goods X and Y both priced at ₹ 3 per unit. If the consumer chooses a combination of these goods with the marginal rate of substitution equal to 3, is the consumer in equilibrium? Give reasons for your answer. What will a rational consumer do in this situation? Explain. 4

OR

A consumer consumes only two goods X and Y whose price are ₹ 4 and ₹ 5 per unit respectively. If the consumer chooses a combination of the two goods with marginal utility equal to 5 and that of Y equal to 4, is the consumer in equilibrium? Give reasons for your answer. What will a rational consumer do in this situation? Use utility analysis.

10. Suppose the demand and supply curves of a commodity X is given by the following two equations  $Q_d = 200 - P$  and  $Q_s = 50 + 2P$ . 4

- A. Find 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  $Q_s' = 80 + 2p$ , analyse the new equilibrium price and new equilibrium quantity

11. What do you mean by price rigidity? How can oligopoly behavior lead to such an outcome? 4

OR

Explain the following statement "In perfect competition, industry is the price maker and a firm is a price taker."

12. A. Explain the relationship between MR and AR. 6  
B. "Marginal Cost curve in the short run is U shaped." Explain the statement.
13. Explain the law of variable proportion in terms of the behavior of marginal product. Give schedule and diagram. Explain the causes of this behavior. 6
14. Suppose the market determined rent for apartments is too high for common people to afford. If the government comes forward to help those seeking apartments on rent by imposing control on rent, what impact will it have on the market for apartments? 6
15. How are the equilibrium price and equilibrium quantity affected when income of the consumer increases and decreases? 6

OR

The market for motor cycles is in equilibrium. Suppose the price of steel parts used in motorcycles increases. Explain the effect of rise in the steel parts on the equilibrium price and quantity of motor cycles.

### **SECTION B: MACRO ECONOMICS**

16. If marginal propensity to save is 0.1 and increase in national income is ₹ 500 crore, calculate increase in investment. 1
- a. ₹50 crore  
b. ₹ 40 crore  
c. ₹ 10 crore  
d. ₹ 2 crore
17. Which exchange rate measures the average relative strength of a given currency with respect to other currencies without eliminating the effect of change in price? 1
- a. Nominal exchange rate  
b. Nominal effective exchange rate

- c. Real exchange rate
  - d. Real effective exchange rate
18. Balance of payment deficit is the excess of 1
- a. Current account payment over current account receipts
  - b. Capital account payments over capital account receipts
  - c. Autonomous payments over autonomous receipts
  - d. Accommodating payments over accommodating receipts
19. Which of the following is not an injection to the circular flow of income? 1
- a. Savings
  - b. Taxes
  - c. Investments
  - d. Imports
20. Medium of exchange function of money suggest that 1
- a. Value of all goods and services can be measured in terms of money
  - b. Transfer of value can easily be performed with the help of money
  - c. Any commodity can be sold or purchased through the medium of money
  - d. Money can be used for future payments.
21. Define high powered money. Explain components of  $M_1$  and  $M_3$  according to the definition given by RBI. Why is time deposit measure of  $M_3$  less liquid than demand deposit of  $M_1$ ? 3
22. Explain the reasons why the demand for foreign exchange rises with a fall in the price of foreign exchange. 3

OR

What is meant by official reserve transactions? Discuss their importance in balance of payment.

23. “Governments across nations are too much worried about the term fiscal deficit.” Do you think that fiscal deficit is necessarily inflationary in nature? Support your answer with valid reasons. 3
24. Explain excess demand with the help of a diagram. Explain the role of “Reverse Repo rate” in removing the problem of excess demand. 4

OR

Explain the meaning of aggregate demand. Explain the main components of aggregate demand

25. Explain money multiplier. With the help of a numerical example explain the working of money multiplier. 4
26. Calculate operating surplus and national disposable income. 4

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

27. Is it necessary that the equilibrium level of national income is at full employment level? Explain this statement. 6

OR

A. In an economy the autonomous investment and consumption expenditure is ₹ 50 Cr. MPS is 0.2 and the level of income is ₹ 4000 Cr. State whether the economy is in equilibrium or not.

B. Explain the relationship between income and consumption with the help of a schedule and diagram.

28. Describe the steps involved in the estimation of national income by value added method. What precautions have to be taken while estimating national income by value added method? 6

29. Differentiate between 6

A. Deflationary Gap and inflationary gap

B. Fiscal policy and Monetary policy

C. Full employment equilibrium and under employment equilibrium

30. Calculate NNP at FC by Income and Expenditure method 6

S No		₹ Cr
1	Rent	3000
2	Wages and salary	3000
3	Indirect taxes	6000
4	Intermediate consumption by government	1500
5	Import	500
6	Gross domestic capital formation	7500
7	Change in stock	1000
8	Income paid to abroad	4000
9	Current replacement cost	1000
10	Distributed profit	1200
11	Personal disposable income	12000

12	Interest	7000
13	Household savings	2000
14.	Subsidies	1000
15.	Export	1500
16.	Sale of goods and services by government	500
17.	Income from entrepreneurship	3000
18.	Wages and salaries by government	3000

OR

Calculate  $GDP_{MP}$

SNo.	Particular	In ₹ Cr
1	Consumption of fixed capital	225
2	Net indirect taxes	350
3	Savings of private corporate sector	15
4	Savings of non - departmental enterprises	30
5	Interest on national debts	40
6	Personal disposable income	2700
7	Net current transfers from government administrative department	45
8	Income from property and entrepreneurship to government administrative departments	60
9	Corporation tax	35
10	Direct taxes paid by household	25
11	Net factor income from abroad	(-) 20
12	Other current transfers from ROW	50

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