INDIAN SCHOOL SOHAR
UNIT TEST
ECONOMICS (030)

Date: - 22.5.2017   **Marks: - 50**

STD: - XII   **Time: - 2hrs**

General Instructions:-

1) All questions in both the sections are compulsory. However there is an internal choice in some questions.
2) Questions 1- 2 and 9 -10 are very short questions carrying 1 mark for each part.
3) Questions 3- 5 and 12 are short answer questions carrying 3 marks each. Answer to them should not exceed 75 words each.
4) Questions 6 to 7 and 13 are also short answer questions of 4 marks each. Answer to them should not exceed 90 words each.
5) Questions 7 - 8 and 14 - 15 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. Large number of technical training institutions has been started by the government. State its economic value in the context of production possibilities frontier.   [1]

2. Suppose there is a linear demand curve $D = 20 – 6p$. The elasticity at price $\frac{5}{3}$ would be   [1]

    A. ED = 1
    B. Ed = - 1
    C. Ed = 0
    D. Ed = ∞

3. The demand for goods X and Y have equal price elasticity. The demand of X rises from 100 units to 250 units due to a fall in its price by 20%. Calculate the percentage rise in demand of Y, if its price falls by 8%.   [3]

4. Explain the central problem of "how to produce".   [3]

<div align="center">OR</div>

What will happen to the transformation curve if technology for one good becomes more efficient and for the other good it becomes inefficient? Use diagram.

5. A consumer consumes only two goods X and Y whose prices are ₹ 4 and ₹ 5 per unit respectively. If the consumer chooses a combination of two goods with marginal utility of X equal to 5 and marginal utility of Y equal to 4, is the consumer in equilibrium? Give reasons. What will a rational consumer do in this situation? Use utility analysis.   [3]

6. Define market demand function. Explain the factors affecting market demand.   [4]

<div align="center">OR</div>

With the help of a diagram and a schedule explain the relationship between Total utility and Marginal utility

7. What is economic problem? Explain three factors that lead to an economic problem. [4]

8. Differentiate between [6]

    a. Cardinal utility and ordinal utility.

    b. Substitute goods and complementary goods

    c. Expansion of demand and increase in demand

SECTION B –MACRO ECONOMICS

9. Reena had bought a house. While valuing her house, her grandmother valued it in terms of buffaloes and carts. What is the problem that is being faced in the valuation process? [1]

    a. Lack of double coincidence of wants

    b. Lack of store of value

    c. Absence of common unit of value

    d. Lack of standard for deferred payments

10. 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

11. Money performs a number of functions. Some of these functions of money are called derived function. Explain the derived functions of money. [3]

OR

Explain the banker, advisor and agent to the government function of the Central bank.

12. "Balance of payment always balances." Explain. [4]

OR

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

13. Explain the process of credit creation by the commercial banking system with the help of a numerical example. [4]

14. Differentiate between [6]

    a. Capital account and current account in the balance of payment

    b. Central Bank and Commercial Bank

    c. Autonomous items in balance of payment and accommodating items of balance of payment

15. A. Explain open market operation. How does open market operation work as an instrument of credit control in an economy? [6]

    B. Define money supply. What are the measures of money supply?

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