



**INDIAN SCHOOL SOHAR**  
**FIRST TERM EXAM**  
**ECONOMICS [030]**

**Date: -26.9.2017**  
**STD: - XII**

**Marks: - 80**  
**Time: - 3hrs**

**General Instructions:-**

- 1) All questions in both the sections are compulsory.
- 2) Questions 1- 4 and 12 - 16 are multiple choice questions carrying 1 mark for each part.
- 3) Questions 5 - 6 and 17 – 18 are short answer questions carrying 3 marks each. Answer to them should not exceed 75 words each.
- 4) Questions 7 - 9 and 19 - 21 are also short answer questions of 4 marks each. Answer to them should not exceed 90 words each.
- 5) Questions 10 – 12 and 22 - 24 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. A firm reaches shut down point when 1
  - a.  $TR = TC$
  - b.  $TC = AVC$
  - c.  $TR = TC$
  - d.  $MC = AC$
2. What will be the elasticity of demand for goods to which a consumer is habituated? 1
3. In case of Giffen's Paradox, the slope of demand curve is: 1
  - a. Negative
  - b. Positive
  - c. Parallel to X axis
  - d. Parallel to Y axis
4. Under Perfect competition Average Revenue and Marginal Revenue are indicated by 1
  - a. A common straight line
  - b. A common rectangular hyperbola
  - c. A common vertical straight line
  - d. Different lines sloping downward
5. Explain the problem of what to produce. 3

OR

Explain the concept of marginal opportunity cost using a numerical example.

6. Firm A produces both jeans and shirts. How will an increase in the price of jeans affect the supply of shirts? 3
7. Explain the relationship between Average cost, Average Variable Cost and Marginal Cost. Draw diagram to validate the answer. 4

OR

A farmer takes a farm on rent and carries out farming with the help of his family members. Identify the implicit cost and explicit cost from the following information. Explain any three points of difference between them.

8. A consumer has total money income of ₹250 to be spent on two goods X and Y with prices of ₹25 and ₹10 per unit respectively. On the basis of the information given, answer the following questions: 4
1. Give the equation of the budget line for the consumer.
  2. What is the value of slope of the budget line?
  3. How many units can the consumer buy if he is to spend all his money income on good X?
  4. How does the budget line change if there is a fall in price of good Y?
9. Why is there an inverse relationship between price and quantity demanded of a commodity? 4
10. Explain Producer's equilibrium. Explain the conditions of Producer's equilibrium in terms of Marginal Cost and Marginal Revenue. Supplement your answer with the help of a schedule and diagram. 6

OR

Calculate TC and AVC of a firm at each level of output

Output	1	2	3	4	5	6
AFC	60	30	20	15	12	10
MC	32	30	28	30	35	43

11. What type of changes take place in total product and marginal product when there are 6
1. Increasing returns to factor
  2. Diminishing returns to factor
- Why do these changes take place?
12. A. Differentiate between perfectly elastic and perfectly inelastic demand 6
- B. Define cross price effect. Explain with the help of a diagram the reaction of a consumer to a decrease in price of complementary goods.

## SECTION B: MACRO ECONOMICS

13. Full bodied money is that money whose money value and commodity value are: 1
- a. Equal in the market
  - b. Different in the market
  - c. Declared as equal by the government
  - d. Declared as equal by the RBI
14. Maximum credit that a commercial bank can legally create is indicated by: 1
- a.  $\frac{1}{SLR}$
  - b.  $\frac{1}{CRR} \times total\ deposits$
  - c.  $\frac{1}{CRR} \times \frac{1}{cash\ reserves\ with\ RBI}$
  - d.  $\frac{1}{CRR} \times Cash\ reserves\ with\ RBI$
15. Dynamic function of money are related to 1
- a. Exchange of goods and services
  - b. Valuation of goods
  - c. Transfer of wealth across different parts of the economy
  - d. Stability and growth of the economy
16. The non-tax revenue in the following is 1
- a. Export duty
  - b. Import duty
  - c. Dividends
  - d. Excise
17. There has been a consistent rise in the prices of essential goods. Explain the role of the government budget in fighting inflationary tendencies. 3

OR

Categorize the following government receipts into revenue receipts and capital receipts. Give reasons.

- a. Borrowings from public
  - b. Profit of the public sector undertaking
  - c. Receipts from the sale of shares of public sector undertakings.
18. Explain the “Bank of note issue “function of the Central Bank. 3

19. Name and explain the broad categories of transactions recorded in the capital account of the balance of payment account. 3

20. What is Repo Rate? How is it different from Reverse Repo Rate? How does the Central Bank use this measure to control the credit creation capacity of the commercial bank? 4

21. Define foreign exchange market. What are the functions of foreign exchange market? 4

OR

Explain any four reasons why foreign exchange is demanded.

22. Explain any three drawbacks of the barter system. Explain how money has helped in removing these drawbacks of the barter system. 6

23. What is fiscal deficit in a government budget? How is this deficit financed? What problems arise in an economy as a result of fiscal deficit? 6

OR

What do you mean by deficit in the balance of payment? What are the causes of disequilibrium in the balance of payment

24. Distinguish between 6

- a. Devaluation and depreciation of domestic currency.
- b. Spot market and forward market
- c. Flexible exchange rate and fixed exchange rate

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