



INDIAN SCHOOL SOHAR
SECOND TERM EXAM
ECONOMICS

Date: -26.11.2017

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. The consumer's optimum condition according to indifference curve approach is: (Choose the correct option) 1
 - a. Marginal Utility of the good = Price of the good.
 - b. Marginal Rate of Transformation = Price Ratio of the two goods
 - c. Marginal Rate of Substitution = Price of the good
 - d. Marginal Rate of Substitution = Price Ratio of the two goods
2. Collusive oligopoly refers to a situation: 1
 - a. where firms cooperate with each other in setting price and output
 - b. where firms compete with each other and follows its own price and output policy
 - c. every firms tries to increase its market share through competition
 - d. only one firm sets the price
3. Which of the following is a statement of normative nature in economics? 1
 - a. Economics is study of choices/alternatives.
 - b. Government should be concerned with how to reduce unemployment
 - c. According to an estimate, in spite of severe shortage, more than 10% of houses in Indian cities are lying vacant.
 - d. Accommodation of Refugees is posing a big problem for the Europe
4. In the Law of Diminishing Marginal Returns 1
 - a. Production increases in smaller proportion than factors
 - b. Production increases in greater proportion than factors
 - c. Production increases in same proportion than factors.

- d. Production does not increase with the increase in factors
5. Explain the concept of Marginal Rate of Substitution and its behavior along the typical indifference curve. Give a numerical example. Also give reason for its behavior. 3

OR

Giving reason, state the impact of each of the following on the demand curve of a normal good 'X' if

- Price of its complementary good falls.
 - News reports claim that consumption of product X has a harmful effect on human health
 - Income of the consumer increases
6. Explain the reason for a straight line Production Possibility Curve. Draft a hypothetical schedule to justify your answer. 3
7. Suppose the demand and supply curves of a commodity-X are given by the following two equations simultaneously: $QD = 200 - p$ $QS = 50 + 2p$ 4
- Find the equilibrium price and equilibrium quantity.
 - Suppose that the price of a factor of production producing the commodity has changed, resulting in the new supply curve given by the equation $QS = 80 + 2p$. Analyze the new equilibrium price and new equilibrium quantity as against the original equilibrium price and equilibrium quantity

OR

Define Price Ceiling. What is the common purpose for the price ceiling imposed by the government? Explain any one likely consequence of this nature of intervention by the government in the price determination process

8. What is the relationship between : 4
- Marginal revenue and Average revenue.
 - Total cost and Marginal cost
9. Define 'market demand' for a good. State the factors that affect it. 4
10. It is expected that replacement of all existing taxes on good X by the proposed single Goods and Services Tax (GST) will bring down overall tax on good X substantially. Explain its likely chain of effects on price and quantity of good X. Use diagram.

OR

Explain with the help of a diagram the chain of effects of a rightward shift in the demand curve of a good on its equilibrium price, quantity demanded and supplied.

11. A. What are the different ways by which monopoly can be created in the market? 6
- B. Explain the implications of the following:
- Freedom of entry and exit to firms under perfect competition.
 - The feature "differentiated product" under monopolistic competition

12. Explain the meaning of producer's equilibrium. Also explain the conditions of equilibrium of a firm based on marginal cost and marginal revenue. 6

SECTION B: MACRO ECONOMICS

13. An Indian company located in India invests in a company located abroad. This transaction is entered in India's balance of payments account on : (choose the correct alternative) 1
- credit side of current account
 - debit side of current account
 - credit side of capital account
 - debit side of capital account
14. The government budget of a hypothetical economy presents the following information, which of the following value represents Budgetary Deficit. 1

SNo.	Items	In ₹ crores)
1	Revenue expenditure	25,000
2	Capital receipts	30,000
3	Capital Expenditure	35,000
4	Revenue Receipts	20,000
5	Interest payments	10,000
6	Borrowings	20,000

- 12,000
 - 20,000
 - 10,000
 - 50,000
15. If investment becomes zero, National income does not fall to zero because of 1
- Autonomous consumption
 - Induced investment
 - Autonomous investment
 - Multiplier
16. What is meant by real gross domestic product? 1
17. The Government, under Ujjwala Yojana, is providing free LPG kitchen gas connections to the families 'below the poverty line'. What objective the government is trying to fulfil through the government budget and how? Explain. 3

OR

Explain the role of Reverse Repo Rate in increasing money supply.

18. What is meant by 'official reserve transactions'? Discuss their importance in Balance of 3

Payments.

19. From the following data given below about an economy, calculate (a) Investment expenditure (b) Consumption expenditure. 4

1. Equilibrium level of income ₹ 5,000 Cr
2. Autonomous consumption ₹500 Cr
3. Marginal propensity to consume 0.4

20. Calculate the operating surplus. 4

S.No.	Particulars	In ₹ Crores
1	Sales	4000
2	Compensation of employees	800
3	Intermediate consumption	600
4	Rent	400
5	Interest	300
6	Net indirect taxes	500
7	Consumption of fixed capital	200
8	Mixed income	400

21. Explain any four limitations of using GDP as a measure/index of welfare of a country. 4

OR

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

22. Distinguish between the fixed exchange rate and the floating exchange rate. If exchange rate falls, explain its effects on exports and imports. 6

23. Explain the working of investment multiplier with the help of a numerical example. 6

OR

What is deficient demand? What are the impacts of deficient demand on price, output and employment? Explain the role of taxation and government expenditure in correcting deficient demand in the economy.

24. Calculate NNP at MP by 6

- A. Expenditure method
- B. Income method

S no.	Items	In ₹ Crores
1.	Personal consumption expenditure	700
2	Wages and salary	700
3	Employer's contribution to social security	100

4	Gross business fixed capital	60
5	Gross residential construction investment	60
6	Gross public investment	40
7	Inventory investment	20
8	Profits	100
9	Government purchases of goods and services	200
10	Rent	50
11	Export	40
12	Import	20
13	Interest	40
14	Mixed income	100
15	Net factor income from abroad	10
16	Depreciation	20
17	Subsidies	10
18	Indirect taxes	20
