



INDIAN SCHOOL SOHAR
TERM II EXAMINATION (2018 – 2019)
ECONOMICS [030]

CLASS: XII

DATE: 26/11/2018

MAX MARKS: - 80

DURATION: - 3HRS

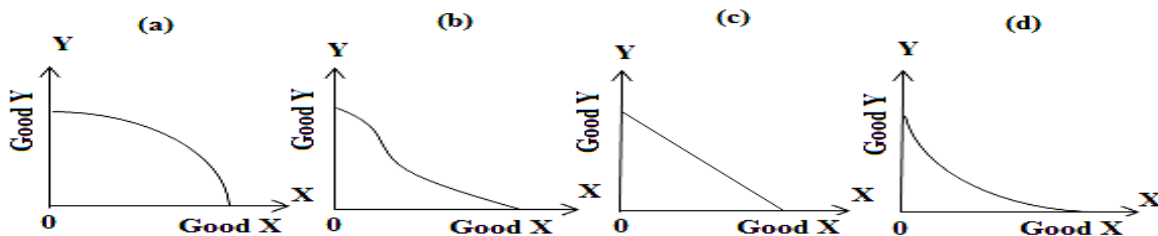
General Instructions:-

1. All questions in both sections are compulsory. However, there is internal choice in some questions.
2. Marks for questions are indicated against each question.
3. Question No.1-4 and 13-16 are very short answer questions carrying 1 mark each. They are required to be answered in one sentence.
4. Question No.5-6 and 17-18 are short answer questions carrying 3 marks each. Answers to them should not normally exceed 60 words each.
5. Question No.7-9 and 19-21 are also short answer questions carrying 4 marks each. Answers to them should not normally exceed 70 words each.
6. Question No.10-12 and 22-24 are long answer questions carrying 6 marks each. Answers to them should not normally exceed 100 words each
7. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

SECTION A: INTRODUCTORY MICRO ECONOMICS

1. If a firm's production department data says that the total variable cost for producing 8 units and 10 units of output is ₹ 2,500 and ₹ 3,000 respectively, marginal cost of 10th unit will be [1]
- A. ₹ 100
 - B. ₹ 150
 - C. ₹ 500
 - D. ₹ 250

2. Which of the following diagram depicts the shape of the Production Possibility curve in case of decreasing marginal rate of transformation? [1]



3. A firm is able to sell more quantity of a good only by lowering the price. The firm's marginal revenue, as he goes on selling, would be: [1]
- A. Greater than average revenue
 - B. Less than average revenue
 - C. Equal to average revenue
 - D. Zero
4. If Marginal Rate of Substitution is increasing throughout, the Indifference Curve will be : [1]
- A. Downward sloping convex
 - B. Downward sloping concave
 - C. Downward sloping straight line
 - D. Upward sloping convex

5. Define a budget line and an indifference curve. Explain why the budget line and an indifference curve are downward sloping from left to right. [3]

OR

A consumer consumes only two goods X and Y both priced at ₹3 per unit. If the consumer chooses a combination of these two goods with Marginal Rate of Substitution equal to 3, is the consumer in equilibrium? Give reasons. What will a rational consumer do in this situation?

6. Compare and contrast demand curve of a firm under: [3]
- A. Monopoly
 - B. Perfect Competition
 - C. Monopolistic Competition
7. Production in an economy is below its potential due to unemployment. Government starts employment generation schemes. Explain its effect using production possibilities curve. [4]
8. Define marginal cost and average cost. Why are short run marginal cost and average cost curves 'U' shaped? [4]

OR

Which cost remains fixed in the short run? Define average fixed cost. What is the behaviour of average fixed cost as output increases and why is it so?

9. Calculate the marginal cost, and average cost at each level of output. The firm's average fixed cost is ₹ 30, when it produces 2 units. [4]

Output (units)	1	2	3
Average Variable Cost (₹)	80	48	40

10. A. How does the increase in the number of firms in a market affect the market supply curve? [6]
- B. The price elasticity of good X is half the price elasticity of supply of Good Y. A 10% rise in the price of Good Y results in a rise in its supply from 400 units to 520 units. Calculate the percentage change in quantity supplied of good X when its price falls from ₹ 10 to ₹ 8 per unit.
11. Explain the meaning and conditions of producer's equilibrium under perfect competition using Marginal Cost and Marginal Revenue approach. Use diagram. [6]
12. How will the change in the price of substitute goods Y affect the equilibrium quantity and price of good X? Use diagrams to justify the answer. [6]

OR

Suppose the demand and supply curves of salt are given by:

$$QD = 1000 - p : QS = 700 + 2p$$

- A. Find the equilibrium price and quantity
- B. Now suppose that price of an input used to produce has increase so that the new supply curve is $QS = 400 + 2p$. How does the equilibrium price and quantity change?
- C. Suppose the government is imposed a tax of ₹3 per unit on sale of salt. How does it affects the equilibrium price and quantity?

SECTION B: INTRODUCTORY MACRO ECONOMICS

13. What is meant be 'floating exchange rate'? [1]
14. Which of the following expression is correct? (Choose the correct alternative) [1]
- a) Multiplier (K) = $\frac{\text{Change in Income } (\Delta Y)}{\text{Change in Investment } (\Delta I)}$
 - b) Multiplier (K) = $\frac{1}{1 = mps}$

c) Multiplier (K) = $\frac{1}{MPC}$

d) Multiplier (K) = $\frac{\text{Change in Investment } (\Delta I)}{\text{Change in Income } (\Delta Y)}$

15. The fiscal deficit in a government budget when revenue deficit is ₹50, 000 crores and borrowings are ₹75, 000 crores is : [1]
- ₹75, 000 crores.
 - ₹25, 000 crores.
 - ₹5, 000 crores.
 - ₹50, 000 crores.
16. If initial deposit of ₹200 crores leads to creation of total deposits of ₹1, 600 crores, the legal reserve ratio requirements is : [1]
- 12.5%
 - 50%
 - 25.4%
 - 10%
17. Differentiate between [3]
- Autonomous and accommodation items in the balance of payment
 - Nominal exchange rate and real exchange rate.
18. Explain the equilibrium level of income with the help of saving and investment curves. If planned saving exceeds planned investment what changes will bring about the equality between them? [3]

OR

Differentiate between inflationary gap and deflationary gap.

19. What do you mean by the problem of double counting? How can you avoid the problem of double counting? [4]

OR

Discuss briefly, the circular flow of income in a two-sector economy with the help of a suitable diagram.

20. Define budget. How can the government use the budget as a tool to bring about redistribution of income and economic stability in the economy? Explain. [4]
21. An economy is in equilibrium. Its consumption function is given as $C = 100 + 0.75Y$ and the autonomous investment expenditure as ₹1,100. From the given information, calculate: [4]
- Equilibrium level of income
 - Consumption expenditure at the equilibrium level of income
22. Distinguish between [6]
- Average propensity to consume and Average propensity to save.
 - Autonomous investment and induced investment.
 - Fiat money and fiduciary money

OR

Give any two points of distinction between 'current account' and 'capital account' balance of payment. Which of the following transaction item is a debit/credit in the current account of Balance of payments account? Give reason for your answer.

- Exports of merchandise
- Lending to rest of the world

- C. Imports of services
 D. A gift from foreigners
23. A. Explain 'Bankers Bank' function of central bank. [6]
 B. Explain the 'Unit of Account' and 'Standard of deferred payment' function of money.
24. Find Gross Domestic Product at Market Price with the help of income and expenditure [6] methods using following data

S no.	Particulars	₹ (in crores)
1	Final consumption expenditure	6500
2	Final consumption expenditure of non-profit 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

*****THE END*****