INDIAN SCHOOL SOHAR
PRE BOARD EXAMINATION (2018 – 2019)
ECONOMICS [030]

CLASS: XII **MAX MARKS: - 80**
DATE: 17/01/2019 **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.
8) Attempt all parts of a question together.

SECTION A: INTRODUCTORY MICRO ECONOMICS

1. Suppose total revenue is rising at a constant rate as more and more units of a commodity are sold, marginal revenue would be : [1]
   a. Greater than average revenue
   b. Equal to average revenue
   c. Less than average revenue
   d. Rising
2. There is inverse relation between price and demand for the product of a firm under : [1]
   a. Monopoly only
   b. Monopolistic competition only
   c. Both under monopoly and monopolistic competition
   d. Perfect competition only
3. Price elasticity of demand of easily available substitute goods is: [1]
   a. $E_D < 1$
   b. $E_D > 1$
   c. $E_D = 1$
   d. $E_D = \infty$
4. Define production function. [1]
5. The measure of price elasticity of demand of a normal good carries minus sign while price elasticity of supply carries plus sign. Explain why? [3]

   OR

   Distinguish between 'expansion of demand' and increase in demand'. Use diagram.
6. Explain the relation between Marginal Cost and Average Variable Cost with the help of diagram. [3]

7. Explain the meaning of opportunity cost with the help of production possibility Schedule. [4]
8. Explain the implications of the following features of perfect competition. [4]
   A. Homogeneous products
   B. Freedom of entry and exit to firms

OR

Explain the implications of the following features of oligopoly market.
   A. Few firms
   B. Barriers to the entry of firms.
9. Explain briefly the following determinants of supply [4]
   A. Increase in the prices of inputs
   B. Decrease in tax on the product
   C. Technological change
10. State the behaviour of Marginal Product is the Law of Variable Proportions. Explain the causes of this behaviour. [6]
11. A. A consumer, Mr.Aman is in state of equilibrium consuming two goods X and Y, with given prices, P_X and P_Y ,what will happen if $\frac{MU_X}{P_X} > \frac{MU_Y}{P_Y}$? [6]
   B. Identify which of the following is not true for the indifference curves theory. Give valid reasons for choice of your answer :
      1. Lower indifference curve represents lower level of satisfaction
      2. Two indifference curves can intersect each other.
      3. Indifference curve must be convex to origin at the point of tangency with the budget line at the consumer's equilibrium.
      4. Indifference curves are drawn under the ordinal approach to consumer equilibrium.

OR

Suppose a consumer can afford to buy 6 units of Good 1 and 8 units of Good 2. She spends her entire income the prices of the two goods are ₹6 and ₹ 8 respectively.
   1. How much is the consumer’s income?
   2. What happens to the budget set if both the prices as well as the income double?
   3. If a consumer has monotonic preferences, can she be indifferent between the bundles (10, 8) and (8, 6)?
   4. How does the budget line change if the consumer's income increases to ₹40 but the prices remain unchanged?
12. Explain the impact of the following on equilibrium price and quantity. [6]
   A. The ban on smoking in public places on the equilibrium price and quantity.
   B. New discovery of oil, which reduces the price of petrol and diesel on the equilibrium price and equilibrium quantity of new cars.
   C. Use of more environment friendly technology, the cost of which is higher, to produce a drug on the equilibrium price and equilibrium quantity of the drug.

SECTION B: INTRODUCTORY 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 : [1]
   a. credit side of current account

b. debit side of current account
c. credit side of capital account
d. debit side of capital account

14. Which of the following affects national income? [1]
    a. Goods and Services tax
    b. Corporation tax
    c. Subsidies
    d. None of the above

15. According to the Adjustable Peg System of Exchange Rate [1]
    a. The government determined parity between two currencies.
    b. US dollar was assigned gold value at a fixed price.
    c. The value of the exchange rate is fixed once for all
    d. Exchange rates can be changed without any rules and regulations

16. Which of the following is a correct measure of primary deficit? [1]
    a. Fiscal deficit minus revenue deficit
    b. Revenue deficit minus interest payments
    c. Fiscal deficit minus interest payments
    d. Capital expenditure minus revenue expenditure

17. What is the difference between marginal propensity to consume and marginal propensity to save? What is the relation between the two? [3]

OR

What is meant by aggregate demand? State its components.

18. Recently Government of India has doubled the import duty on gold. What impact is it likely to have on foreign exchange rate and how? [3]

19. A. State any two precautions that must be taken into consideration while estimating National income by value added method. [4]

    B. In an economy, following transactions took place. Calculate value of output and value added by Firm B:

    1. Firm A sold to firm B goods of ₹80 crore; to firm C ₹ 50 crore; to household ₹30 crore and goods of value ₹10 crore remains unsold
    2. Firm B sold to firm C goods of ₹70 crore; to firm D ₹40 crore; goods of value ₹ 30 crore were exported and goods of value ₹5 crore was sold to government.

20. In an economy, C = 200 + 0.75 Y is the consumption function, where C is consumption expenditure and Y is national income and investment expenditure is ₹ 4000 in an economy. Calculate Equilibrium level of national income and consumption expenditure [4]

21. Write down the three identities of calculating the GDP of a country by the three methods. Also, explain why each of these should give us the same value of GDP. [4]

22. A. Does public (government) debt impose a burden? Explain. [6]

    B. In the government of India budget for the year 2013-14, the Finance Minister proposed to raise the excise duty on cigarettes. He also proposed to increase income tax on individuals earning more than ₹one crore per annum.
    Identify and explain the types of taxes proposed by the finance minister. Was the government's objective only to earn revenue themselves? What possible welfare objective

could the government be considering? Explain.

23. Calculate value of output, intermediate consumption, NVA at FC [6]

		In ₹ Cr
1	Purchase of raw material from domestic market	400
2	Increase in the unsold stock	60
3	Import of raw materials	120
4	Domestic sales	1200
5	Replacement of fixed capital	50
6	Power charges	20
7	Export	200
8	Import of machinery	40
9	Value added taxes	10
10	Subsidies	30
11	Goods used for self-consumption	10

24. Differentiate between [6]

A. Fiscal policy and Monetary policy
B. Full employment equilibrium and under employment equilibrium
C. Bank rate and repo rate

OR

Differentiate between

A. Real flow of income and money flow of income
B. Domestic product and national product
C. Current transfers and capital transfers

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