First term Examination (2016-17)
Class XII
Subject Economics

Time : 3 hrs. M.M 100

General instructions:

1. All the questions are compulsory.
2. Marks are indicated against each question.
3. Q. no. 1-5 and 22-23 are very short answer questions carrying one mark each. They are required to be answered in one sentence each.
4. Q. no. 6-12 and 24-27 are short answer questions carrying three marks each. Answers to them should not normally exceed 60 words each.
5. Q. no. 13-17 and 28 are short answer questions carrying four marks each. Answers to them should not normally exceed 70 words each.
6. Q. no. 18-21 and 29-30 are long answer questions carrying six marks each. Answers to them should not normally exceed 100 words each.

Part A- Micro economics

1	Suppose a consumer wants to consume two goods .if income of the consumer is Rs.20. and both the goods are priced at Rs. 4 then which bundle costs exactly equal to Rs. 20 a. 2,3 b. 2,4 c. 2,2 d. 1,5	1
2	If marginal rate of substitution is increasing throughout the indifference curve will be a. Downward sloping convex b. Downward slope straight line c. Downward sloping concave d. Upward sloping convex	1
3	A situation where a small change in price causes infinetly change in quantity demanded is known as a. Perfectly inelastic demand b. Perfectly Elastic demand c. Elastic demand d. Inelastic demand	1
4	The two curves which originates from same point on the Y axis are1 a. TVC &TFC b. TFC & AVC c. TFC &TC d. TFC & AFC	1
5	In monopoly Market there are a. No substitues b. No close substitutes	1

	c. No distant substitutes d. All the above	
6	Price Elasticity of a good is (-)1. .when its price per unit falls by one rupee,its demand rises from 16 to 18 units. Calculate the price before the change.	3
7	Suppose there exist only four firms in a market. Each wants to maximize its market share and increase profits. An incompetent economic analyst advices one of the firms to reduce price to increase its sales. Would this be a correct measure to increase market share? .	3
8	Explain the problem of what and How much to produce with the help of PPC.	3
9	State true or false. Give reason also. a. Total revenue is constant when Marginal revenue is constant. b. Variable cost reduces as output increases. c. If MR>MC it is always a better situation than if MR=MC for profits to be maximised.	3
10	A consumer consumes only two goods X and Y whose prices are Rs. 4 and Rs. 5 respectively. If the consumer chooses a combination of two goods with MUx equal to 5 and MUy equal to 4. Is the consumer in equilibrium ? Give reasons.what will a rational consumer will do in this situation?	3
11	A consumption good has harmful effects on health. Government wants to bring its consumption down by imposing heavy taxes on it.How much success government will be able achieve will depend on price Elasticity of demand of this item.Explain how?	3
12	Find out a) Explicit Cost b) implicit cost i Investment in fixed assets 2400 ii Borrowings at 12% interest per annum 1200 Iii Wages paid during the year 400 Iv Annual rental value of owner's factory building 300 V Annual depreciation 120 Vi Estimated annual value of the management services of the owner 180	3
13	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. suppose the price of input used to produce salt has increased so that new supply curve is Qs= 400+2p c. Suppose the government has imposed a tax of Rs. 3 per unit on sale of salt . How does it affect the equilibrium price and quantity	4
14	Differentiate between change in supply and change in quantity supplied with the help of a diagram.	4
15	The following news was printed in Times of india:	4

	Price of petrol and Diesel increased by Rs. 2 Use a diagram to analyse the impact on the demand for cars in INDIA.	
16	Explain the implications of following features in monopolistic competion a. Differentiated products b. Free entry and exit of firms	4
17	What is minimum price ceiling ? Explain its implications. Use diagram.	4
18	Explain the conditions of consumer's equilibrium with indifference curve analysis.	6
19	Explain the law of variable proportions with the help of diagram.Explain the reasons behind increasing returns to factor.	6
20	Why will a profit maximising firm in a competitive market never strike its equilibrium in a state where MC in falling.Explain your answer using a suitable diagram.	6
21	Market for a necessary good is competitive in which the existing firms are earning earning super normal profits. How can the policy of liberalisation of the government help in making the market more competitive in the interst of consumers. Explain with the help of diagram.	6
	Macro economics	
22	Which of the following is not a transfer payment a. Interest on national debt b. Retirement pension c. Old age pension d. donations	1
23	Capital at the end of the year 2012 was 100 crore and at the end of 2013 was At Rs. 110 crore.depreciation during the year 2013 was Rs. 5 crore. Gross investment during 2013 was a. 5 cr. b. 10 cr c. 15 cr d. 110 cr	1
24	Why should aggregate final expenditure of an economy be equal to the aggregate factor payments.	3
25	Suppose the GDPmp of a country in a particular year was 1100 crore. Net factor income from abroad was 100 crore. .the value of(indirect tax – subsidies)was 150 cr. And national income was 150 cr.Calculate the aggregate value of depreciation.	3
26	Explain the circular flow of income in two sector economy.Write its significance also.	3
27	Differentiate between intermediate and final goods with example.	3
28	Find net value addded at Market price i) Output sold (units) 800 ii) Price per unit of output 20 iii) Excise duty 1600 iv) Import duty 400 v) Net change in stocks (-) 500 vi) Depreciation 1000	4

	vii) Intermediate cost 8000	
29	Will the following be included in national income of India. Give reasons a. Payment of electricity bill by school b. Interest received on loan given to a foreign company in India c. Purchase of uniforms for nurses by hospital	6
30	Find out GDPmp and Net current transfers from abroad	6

	Items	(Rs. In crore)
i.	Depreciation	100
ii.	Private final consumption expenditure	900
iii.	Net National disposable income	1570
iv.	Net exports	15
v.	Net indirect Taxes	50
vi.	opening stock	20
vii.	Government final consumption expenditure	400
viii.	Closing Stock	20
ix.	Net domestic fixed capital formation	180
x.	Net factor income to abroad	(-) 10