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Code Number: 30/1



**INDIAN SCHOOL MUSCAT
FIRST PRELIMINARY EXAMINATION 2017**

ECONOMICS

CLASS: XII

Sub. Code: 030

Time Allotted: 3 Hrs

10.12.2017

Max. Marks: 80

General instructions

- (i) All questions in both the sections are compulsory.
- (ii) Question Nos. **1 to 4** and **13 to 16** are very short answer questions carrying one mark each. They are required to be answered in one sentence each.
- (iii) Question Nos. **5 to 6** and **17 to 18** are short answer questions carrying three marks each. Answer to them should not normally exceed **60** words each.
- (iv) Question Nos. **7 to 9** and **19 to 21** are also short answer questions carrying four marks each. Answers to these should not normally exceed **70** words each.
- (v) Question Nos. **10 to 12** and **22 to 24** are long answer questions carrying six marks each. Answer to them should not normally exceed **100** words each.

SECTION A (MICRO ECONOMICS)

- 1 What happens to the equilibrium price when there is increase in demand and decrease in supply in a given market equilibrium condition? 1
 - a) Price falls
 - b) Price rises
 - c) Price does not change
 - d) Price may rise may fall or may not change.
- 2 Ceteris Paribus, if the government provides subsidies on electricity bills, what would be the likely change in the market demand of desert coolers? 1
- 3 What happens to Average Product when Marginal product is greater than Average product? 1
 - a) Average product is negative
 - b) Average product falls
 - c) Average product rises
 - d) Average product is constant
- 4 When do you say that demand for good is elastic? 1
- 5 Write the relationship between Marginal Revenue and Total revenue under if price falls to sell more output. 3

OR

Discuss the nature of Total revenue curve and Marginal revenue curve when a firm sells more output at given price.

- 6 What is difference between demand curve under monopoly and Monopolistically competitive market? 3
- 7 What happens to the profit in the long run if the firms are free to enter and exit in the market? 4
- 8 State Law of demand. Write its assumptions. 4

OR

State the relationship between demand for a good and price of its related goods.

- 9 By giving reasons, explain the stage of increasing returns to a Factor. 4
- 10 Market for a good is in equilibrium. Explain the chain of effects in the market when there is rise in the price of substitute good. Use diagram. 6

OR

What do you mean by excess supply? Explain the chain of effects in the market when there is excess supply. Use diagram.

- 11 What happens to the supply curve of a commodity when there is 6
- a) Rise in the price of the commodity and
- b) Rise in the price of other goods. Use diagram.
- 12 Complete the following table: 6

Output	1	2	3	4	5
Average Fixed Cost				15	
Average Variable Cost			54		57
Marginal Cost	60			54	
Total Cost	120	174			345

SECTION B (MACRO ECONOMICS)

- 13 A hypothetical budget of the government shows that revenue receipts are Rs. 1200 crores, capital receipts are Rs. 800 crores and non debt creating capital receipts are Rs 250 crores. How much is the borrowing of the government? 1

- 14 At breakeven point in Macro economics: 1
- Autonomous consumption is equal to dissaving
 - Total consumption equal to Total Saving
 - Average Propensity to consume equals to 1
 - Average propensity to save equals to 1
- 15 Write the significance of Accommodating transaction in Balance of payment. 1
- 16 Which of the following statement is correct: 1
- At equilibrium of an economy Ex ante Saving = Ex post Investment
 - Marginal propensity Save never be negative
 - The minimum value of multiplier is Zero
 - Aggregate supply is the sum of consumption and investment.
- 17 Distinguish Capital receipts and Revenue Receipts of government budget 3
- OR**
- Distinguish Revenue Expenditure and Capital expenditure of government budget.
- 18 State Whether the following statements are true or false. Give reasons. 3
- External assistance is not recorded in the balance of Payments account.
 - Difference between the value of exports and imports of goods and services is called trade balance.
- 19 What changes take place in the economy when planned spending is less than planned output? Use diagram 4
- OR**
- What is the chain of effects in the economy when planned Investment expenditure is more than saving in the economy? Use diagram
- 20 Discuss the relationship between price of foreign exchange and supply of foreign exchange. 4
- 21 Government expenditure on providing public goods has increased. Explain the economic value reflected in this statement. 4
- 22 In an economy, there is an additional investment of Rs.5000 takes place. Marginal propensity to consume is 0.5. Explain the process of working of investment multiplier using the above information. 6
- 23 Discuss the concept of Inflationary gap. How can open market operation control this situation? 6

OR

What are the implications of deficient demand in the economy? How does central bank use Repo rate to control this situation?

24 Calculate National Income and GNP at Factor cost.

6

Item	Rs. Arab
Government purchases of goods and services	2100
Purchases of final goods and services by household	3215
Net addition to stock	320
Goods and services purchased by Nonprofit institutions.	510
Net domestic fixed capital formation	1200
Consumption of fixed capital	170
subsidies	55
Net Imports	-(200)
Factor income from abroad	110
Excise duty	85
Net factor income to abroad	220

End of the Question Paper