



INDIAN SCHOOL MUSCAT HALF YEARLY EXAMINATION

ECONOMICS

CLASS: XII

Sub. Code: 030

Time Allotted: 3 Hrs

18.09.2017

Max. Marks: 80

General instructions:

- i. All questions are compulsory.
- ii. Marks for questions are indicated against the questions.
- iii. Questions no. 1-4 and 13-16 are very short answer questions carrying 1 mark each. These are to be answered in one sentence each.
- iv. Question No. 5&6 and 17&18 are short answer questions carrying 3 marks each. Answer to them should normally not exceed 60 words each.
- v. Question No.7-9 and 19--21 are short answer questions carrying 4 marks each. Answer to them should normally not exceed 70 words each.
- vi. Question No.10 -12 and 22-24 are short answer questions carrying 6 marks each. Answer to them should normally not exceed 100 words each.
- vii. Answers should be brief and to the point and the above word limit should be adhered to as far as possible.

SECTION A

- 1 What shape will Production Possibility Curve take when Marginal Rate of Transformation values decrease? 1
- 2 The consumers 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.
- 3 If Marginal Product is positive and constant, Total Product will: (Choose the correct option) 1
 - a. Remains constant and reaches maximum

- b. Increases at a constant rate
- c. Decreases at a constant rate
- d. Increases at an increasing rate.

- 4 Define Total Product. 1
- 5 What does allocation of resource mean? How does the problem of “What to produce” become the problem of allocation of resources? 3

OR

Explain the problem of how to produce? Why does the problem arise?

- 6 In a diagram good X is shown on X axis and good Y is shown on Y axis.. What happens to budget line under the following situation? 3
- a. Price of good X falls
 - b. Price of good Y rises
 - c. Money income of the consumer falls
- 7 Define and draw Production Possibility curve. What does movement along the curve show? Explain 4
- 8 Good X and good Y are complementary goods. Using suitable diagram, explain the effect on demand for good X when price of good Y changes. 4

OR

Good X and Good Y are substitute goods. Using diagram explain the effect on demand for good X if price of good Y changes.

- 9 Define Average Product and Marginal Product. Using suitable diagram explain the relationship between the two. 4
- 10 What are the factors that cause shift in demand curve for a good to left? Explain any two using suitable diagram and example. 6

OR

Distinguish between change in quantity demanded and change in demand for a product. Use diagram for illustration

- 11 Calculate price elasticity of demand under the following situations. 6
- a. A 5% fall in price of a good results in 10% rise in its demand. A consumer buys 40 units of the good at a price of Rs. 10 per unit. How many units will the consumer buy at a price of Rs. 12 per unit?
 - b. Price of a good falls by Rs. 1 per unit. As a result its quantity demanded rises by 3 units. Its price elasticity of demand is -2. Calculate the quantity demanded if the price before the change was Rs. 10 per unit.

- 12 A firm is increasing the employment of a variable input while keeping the employment of all other inputs constant. Explain the how the Marginal Product and Total Product of the factor change in its three stages. Use diagram 6

SECTION B

- 13 Net Domestic Product at factor cost is equal to Net Domestic Product at market prices when: 1
- a. Subsidies are less than Indirect taxes
 - b. Subsidies are equal to Indirect taxes
 - c. Subsidies are more than Indirect taxes
 - d. Net factor income from abroad is zero
- 14 If Nominal Gross Domestic Product is R. 4400 and Price Index is 110, Calculate Real Gross Domestic Product. 1
- 15 What is Reverse Repo Rate? 1
- 16 Money supply includes ----- (choose correct alternative) 1
- a. All deposits in banks
 - b. Only demand deposits in banks
 - c. Only time deposits in bank
 - d. Only currency with the banks
- 17 Should the following be treated as domestic product of India? Give reason. 3
- a. Payment of corporate tax by a firm
 - b. Purchase of machinery by a factory for its own use.
 - c. Purchase of uniform for nurses by a hospital

OR

Should the following be included in national income of India?

- a. Profit earned by a branch of foreign bank operating in India.
 - b. Salary received by an Indian employee working in American Embassy in India.
 - c. Money sent by a non resident Indian to his mother in India.
- 18 What are nonmonetary exchanges? Give one example. Explain their impact on the use of Gross Domestic Product as an index of economic welfare of the people. 3
- 19 Calculate Value of Output and Gross Value Added at factor cost from the following information. 4
- | | |
|--------------------------------------|------|
| a. Consumption of fixed capital | 200 |
| b. Domestic Sales | 5600 |
| c. Purchase of Intermediate goods | 2000 |
| d. Purchase of machinery for own use | 1000 |
| e. Opening stock of inventories | 800 |

f. Subsidies	300
g. Exports	400
h. Indirect taxes	800
i. Closing stock of inventories	1000

- 20 Explain the meaning of Open Market Operation. How is it used by the central bank to control money supply and credit creation? 4

OR

Explain the meaning of Bank Rate. How does the central bank use this policy to control credit creation and money supply?

- 21 Distinguish between: 4

- Factor payment and Transfer payment
- Net Factor Income from abroad and Net Exports

- 22 Calculate Gross National Product at market prices and compensation of employees from the following data. (All figures are in Rs. Crores) 6

a. Profits	1800
b. Mixed income of self employed	1200
c. Indirect taxes	800
d. Net Domestic Product at factor cost	8600
e. Consumption of fixed capital	500
f. Interest	1000
g. Factor income received from abroad	300
h. Rent	1300
i. Subsidies	400
j. Factor payment made to abroad.	100

- 23 A commercial bank is able to create credit many times more than the initial primary deposit collected. Explain the process with a numerical illustration. 6

OR

Explain the following functions of a Central Bank.

A. Currency authority

B. Banker's Bank and supervisor

- 24 Define circular flow of income. Explain the circular flow in a two sector economy with suitable illustration. 6

End of the Question Paper