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SET	A
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INDIAN SCHOOL MUSCAT FINAL TERM EXAMINATION

Class : XII

ECONOMICS

Time Allotted: 3 Hrs

19.11.2018

Subject Code: 030

Max. Marks: 80

General Instructions

1. All questions in both the sections are compulsory.
2. Marks for questions are indicated against each.
3. Question Nos. 01 to 04 and 13 to 16 are very short answer questions /MCQ's of 1 mark each.
4. Question Nos. 05 to 06 and 17 to 18 are short answer questions of 3 marks each. These are to be answered in about 60 words each.
5. Question Nos. 07 to 09 and 19 to 21 are short answer questions of 4 marks each. These are to be answered in about 70 words each.
6. Question Nos. 10 to 12 and 22 to 24 are long answer questions of 6 marks each. These are to be answered in about 100 words each.
7. Answer should be brief and to the point and the above word limit be adhered to as far as possible.

Section A: Introductory Microeconomics

1. When is total product maximum? 1
2. What are explicit costs? 1

OR

Define marginal cost.

3. When 5 units of a good are sold, total revenue is ₹100. When 6 units are sold, marginal revenue is ₹8. At what price are 6 units sold? (Choose the correct alternative) 1
 - (a) ₹28 per unit
 - (b) ₹20 per unit
 - (c) ₹18 per unit
 - (d) ₹12 per unit
 4. Why is a perfectly competitive firm called a 'price taker'? 1
- OR**
- Why is a monopoly firm called a 'price maker'?

5. Define an indifference curve. Explain why an indifference curve is downward sloping from left to right. 3

6. Are the following statements 'true' or 'false'? give reasons 3
- At a higher price than equilibrium price there is excess demand.
 - If both demand and supply increase simultaneously in same proportion, equilibrium price will also increase.
 - Price floor the minimum allowable price above equilibrium price.
7. 'As the price of a good falls, the resulting increased purchasing power may be a reason for increase in quantity demanded'. Do you agree with the given statement? Give reason for your answer. 4
8. Explain how changes in prices of other products influence the supply of a given product. 4

OR

Explain how changes in prices of inputs influence the supply of a product.

9. Elaborate the 'price discrimination' feature of monopoly. 4

OR

Why is number of firms limited in an oligopoly market? Explain.

10. Explain the following degrees of price elasticity of demand with the help of an example and suitable diagrams. 6
- Inelastic demand
 - Highly elastic demand

11. Giving reason, identify the equilibrium level of output and find profit at each unit of output using marginal cost and marginal revenue approach from the following data. 6

Output (units)	1	2	3	4	5
Total Revenue (₹)	14	28	42	56	70
Total Cost (₹)	14	26	40	56	74

12. The market for a commodity X is in equilibrium. The price of its inputs fall. Explain with the help of a diagram its chain of effects on equilibrium price and equilibrium quantity exchanged. 6

OR

What is meant by 'price ceiling'? Explain the consequences of price ceiling. (Use diagram)

Section B: Introductory Macroeconomics

13. Define capital goods. 1
14. What is cash reserve ratio? 1

OR

What is statutory liquidity ratio?

15. Define marginal propensity to consume. 1

16. Aggregate demand is represented by ----- curve in the determination of income analysis. (Choose the correct alternative) 1
- Consumption + Saving + Investment
 - Consumption + Saving
 - Saving + Investment
 - Consumption + Investment

17. Distinguish between factor payment and transfer payment. 3

OR

What is meant by problem of double counting? How this problem can be avoided?

18. Explain the 'banker to government' function of the central bank. 3

19. Discuss briefly, the circular flow of income in a two sector economy with the help of a suitable diagram. 4

20. What do you mean by credit/money creation? Explain the process of money creation by the commercial banks with the help of a numerical example. 4

21. In an economy the marginal propensity to consume is 0.75. Investment expenditure in the economy increases by ₹75crore. Calculate the value of multiplier total increase in national income. 4

OR

An economy is in equilibrium. Its consumption function is $C=300 +0.8Y$ and investment expenditure is ₹700 crores. Find national income and consumption expenditure at equilibrium.

22. Calculate gross national product at market price from the following data: 6

		₹ Crores
1.	Rent	100
2.	Social security contributions by employers	47
3.	Mixed income of self employed	600
4.	Gross domestic capital formation	140
5.	Royalty	20
6.	Interest	110
7.	Compensation of employees	500
8.	Net domestic capital formation	120
9.	Net factor income from abroad	(-) 10
10.	Net indirect tax	150
11.	Profit	200

23. Explain the determination of equilibrium level of income in the economy using Savings-Investment approach. What adjustments will be made if the economy is not at equilibrium? (Use diagram) 6

24. Explain the meaning of 'deficient demand' using a diagram. What monetary policy measures are suggested to remedy the situation of deficient demand? 6

OR

Explain the meaning of 'excess demand' using a diagram. What fiscal policy measures are suggested to remedy the situation of excess demand?

End of question paper