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SET	B
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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 happens to marginal product when total product is maximum? 1
2. 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
3. What are explicit costs? 1

OR

Define marginal cost. 1
4. What is meant by 'differentiated products'? 1

OR

What is a 'collusive oligopoly'? 1
5. Are the following statements 'true' or 'false'? give reasons 3
 - (a) At a higher price than equilibrium price there is excess demand.
 - (b) If both demand and supply increase simultaneously in same proportion, equilibrium price will also increase.
 - (c) Price floor the minimum allowable price above equilibrium price.

6. Define consumers' equilibrium. What happens to consumer's equilibrium if the consumer consumes only one good in the following situations: 3
- When marginal utility is greater than price
 - When marginal utility is less than price

4

7. Elaborate the 'price discrimination' feature of monopoly.

OR

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

8. '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

9. Explain how changes in technology influence the supply of a given product. 4

OR

Explain how changes in rate of unit taxes (excise tax) influence the supply of a product.

10. 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 floor'? Explain the consequences of minimum support price. (Use diagram)

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

12. 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

Section B: Introductory Macroeconomics

13. 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

1

14. Define marginal propensity to save.

15. What is cash reserve ratio? 1

OR

What is statutory liquidity ratio?

1

16. Define intermediate goods. 3
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 'bank of issue' function of the central bank. 3
19. A `200 crores increase in investment leads to a rise in national income by `1,000 crores. Find out marginal propensity to consume. 4

OR

An economy is in equilibrium. Calculate autonomous consumption from the following:

- (a) National income = ₹1, 250
- (b) Marginal Propensity to save = 0.2
- (c) Investment expenditure = ₹150 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. Discuss briefly, the circular flow of income in a two sector economy with the help of a suitable diagram 6
22. 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
23. Calculate gross national product at market price from the following data:

		₹ 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

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