Roll Number				SET	C

INDIAN SCHOOL MUSCAT
FINAL TERM EXAMINATION

ECONOMICS

Class: XII   **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. A firm has a variable cost of ₹1, 000 at five units of output. If fixed costs are ₹400, what will be the average total cost at five units of output? (Choose the correct alternative)   1
    (a)   ₹280
    (b)   ₹80
    (c)   ₹200
    (d)   ₹1400
2. Why is a perfectively competitive firm called a 'price taker'?   1
                    OR
    Why is a monopoly firm called a 'price maker'?

3. What happens to marginal product when total product increases at diminishing rate?   1

4. What are explicit costs?   1
            OR
    Define marginal cost

5. State the law of diminishing marginal utility. Give the relationship between total utility and marginal utility as units consumed increases?   3

6. 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.

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. Elaborate the 'freedom of entry and exit' feature of perfect competition.   4

   OR

   What are selling costs? How are selling costs useful for a monopolistic competition market?

9. 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.

10. 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

11. 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)

12. Explain the following degrees of price elasticity of demand with the help of an example and suitable diagrams.   6
    (a) Inelastic demand
    (b) Highly elastic demand

Section B: Introductory Macroeconomics

13. Define capital goods.   1

14. Define average propensity to consume.   1

15. What is cash reserve ratio?   1

    OR

    What is statutory liquidity ratio?

16. Consumption at zero level of income is called. (Choose the correct alternative)   1
    (a) Consumption function
    (b) Induced consumption
    (c) Proposed consumption
    (d) Autonomous consumption

17. Explain the 'banker's bank and supervisor' function of the central bank. 3

18. Distinguish between factor payment and transfer payment. 3

OR

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

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

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

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

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 6
Savings-Investment approach. What adjustments will be made if the economy is not at
equilibrium? (Use diagram)

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

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