



INDIAN SCHOOL MUSCAT SECOND PERIODIC TEST



ECONOMICS

SET C

CLASS: XII

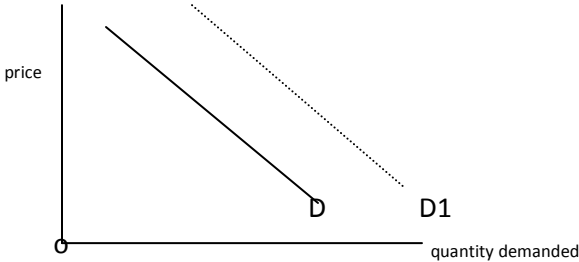
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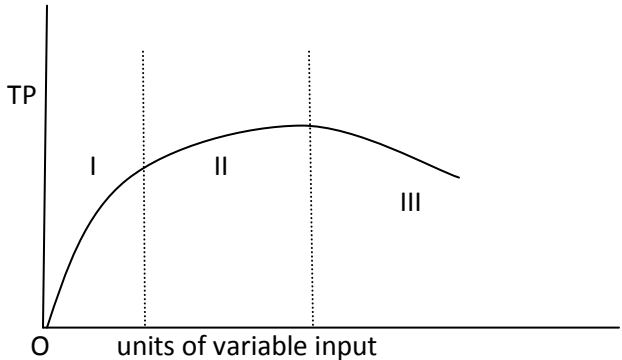
Time Allotted: 50 mts

09.09.2018

Max. Marks:20

EXPECTED VALUE POINTS AND SCHEME OF EVALUATION

| Q.NO. | Answers | Marks (with split up) |
|-------|--|--------------------------|
| 1 | II. More than one | 1 |
| 2 | Marginal Product would be zero | 1 |
| 3 | <p>Demand for a product will increase when price of its substitute good rises. Consumers will shift over to the product which is relatively cheaper so that demand for the product of which price did not change will increase. Its demand curve shifts to right.</p>  | 3 (2+1) |
| 4 | $E_d = \Delta q / \Delta p \times p/q$ $-2 = \Delta q / -2 \times 8/60$ $\Delta Q = 30$ New quantity = $60 + 30 = 90$ | 3 |
| 5 | <p>Time period: Shorter the time period price elasticity of demand becomes less elastic. Longer the time period price elasticity of demand increases. In the short period people get less time to find a suitable substitute so that demand is not likely to change.</p> <p>Availability of close substitute: Larger the number of substitute available for the product greater the elasticity of demand likely to be.</p> <p>If commodity has no close substitute lesser the price elasticity</p> | 3(1 ½ + 1 ½) |
| 6 | <p>When firm increases the employment of a variable input, its total product change in three stages</p> <p>Stage I : TP increases at an increasing rate. This is because of increase in MP</p> <p>Stage II: TP increases at a diminishing rate. At the end of this stage TP reaches maximum and remains constant</p> | 4 (3+!) |

| | | |
|---|---|---|
| | <p>Stage II: TP starts to fall because of negative MP</p>  | |
| | SECTION B | |
| 7 | Deposit multiplier = $1/\text{LRR}$; $=1/0.25 = 4$ times | 1 |
| 8 | M3 includes saving deposit at Post office savings bank but M2 does not include this | 1 |
| 9 | <p>OMO means buying and selling of government bonds and securities in the open market by the central bank.</p> <p>When central bank buys back government securities money will flow from central bank to the public and commercial banks. This increases the ability of commercial bank to increase credit. Money supply and credit creation increases.</p> <p>When central bank sell government bonds and securities, money flow from the public and banking system to the hands of central bank. This reduces money supply and credit creation by the banking system.</p> | <p>3</p> <p>1 for meaning</p> <p>2 for expln.</p> |
| | ***** | |