INDIAN SCHOOL MUSCAT

SOLVED SAMPLE PAPER-4

Class: XII **Marks: 80**

Date: **Time: 3 hours**

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 MICROECONOMICS	
1	How does the nature of the product under monopoly and monopolistic market differ from each other?	1
2	What makes the Average Revenue curve coincides with Marginal Revenue curve under conditions of perfect competition?	1
3	What can you say about Average Product and Marginal Product when Average Product reaches maximum and constant?	1
4	If a firm's production department data says that the total product of 8 units of labour and 10 units of labour is 1500 units and 1700 units respectively, marginal product of 10th unit of labour will be: A. 100 units B. 150 units C. 200 units D. 250 units	1
5	Define price elasticity of demand. For a commodity $\Delta P/P$ =-0.2, and price elasticity of demand for the good is -0.6. Find percentage change in quantity demanded.	3
6	Using appropriate schedule, briefly explain the determination of market equilibrium. **OR** If market price below the equilibrium price, what are the likely adjustment that can take place? Explain with diagram.	3

7	Consider market supply of cotton cloth. How does it change under the following situations: a. Price of raw cotton increases due to poor harvest. b. Introduction of new cost effective technology of production.	3
8	Explain the effect on demand for a good under the following situation. a. When price of its complementary good increases b. When price of its substitute decreases.	4
9	Define a production possibility curve. Draw a production possibility curve for each of the following situation. A. When Marginal opportunity cost is diminishing B. When Marginal opportunity cost is increasing C. When marginal opportunity cost is constant. **OR** Define economic problem. How are these problems get solved in different economic systems?	4
10	Define price floor. What is the common purpose of fixing of floor price by the government? Explain the likely consequences of this nature of intervention by the government. **OR** Define price ceiling. What is the common purpose of fixing of ceiling price by the government? Explain the likely consequences of this nature of intervention by the government.	6
11	Briefly explain the marginal cost and marginal revenue approach of producer equilibrium under conditions of perfect competition. Use diagram.	6
12	A consumer is in a state of equilibrium consuming two goods X and Y, with given price P_x and P_y respectively. Explain what will happen if: a. MU_x/P_x is greater than MU_y/P_y . b. P_y falls.	6
	SECTION B MACRO ECONOMICS	
13	What is deficit financing?	1
14	What happens to exports when Foreign exchange rate rises?	1
15	Which one of the following is a revenue receipt and why? A. Receipts from disinvestment B. Sale of government bonds C. Provident fund deposits D. Dividends from public sector undertakings.	1
16	How is revenue budget different from capital budget?	1
17	How are the following treated in National Income? a. Rent received by the resident of the country for the building rented out for American embassy.	3

b. Wages and salaries received resident employees working in the branch of a foreign bank

c. Money received by an individual from his relative working in a foreign country.

18 Complete the following table (3)

Income	Consumption	MPC	APS
500	100	-----	------
600	-----	0.5	------
700	------	0.5	------
800	------	0.5	------
900	------	0.5	-------

19 Calculate autonomous consumption from the following assuming the economy is at equilibrium. (3)

National income= Rs.1250 crores

Marginal propensity to save=0.2

Investment expenditure=Rs.150 crores

OR

Calculate equilibrium level of income using Savings and Investment approach from the following information.

Autonomous consumption = Rs. 200

Marginal Propensity to Consume = 0.8

Investment Expenditure = Rs.500

20 Define exchange rate. How is demand for foreign exchange related to rate of exchange? Explain using diagram. (4)

21 Define fiscal deficit. How is it calculated? What are its implications? (4)

22 What does excess demand and deficient demand mean? Explain any two measures of each of fiscal policy and monetary policy that you can suggest to correct excess demand in an economy? (6)

OR

Define equilibrium level of income. Will the economy be always at full employment equilibrium? Explain.

23 How does central Bank control money supply and credit creation using the measures of: (6)

a. Open market operation
b. Reserve Ratio Requirements

24 Compute Private final consumption expenditure and Factor income from abroad. (Figures in Rs. Crores) (6)

1.	Gross National Product at market prices	6000
2.	Net factor income from abroad	(-)50
3.	Net exports	500
4.	Private income	3000

	5. Government final consumption expenditure 1400 6. Corporation tax 700 7. Gross domestic fixed capital formation 1550 8. Net retained earnings of private enterprises 500 9. Changes in stock 600 10. Factor income paid to abroad 200 11. Net indirect taxes 500 12. Net current transfer from abroad 150 13. National debt Interest 500 14. Direct taxes paid by the households 300	
	**************	