



**INDIAN SCHOOL MUSCAT
SAMPLE PAPER (UNSOLVED) -4**

1	The government has started promoting foreign capital. What is its economic value in the context of production possibility frontier?	1
2	When MR is positive, TR----- (a) Rises (b) Falls (c) Remains constant (d) None of the above	1
3	When the Average Product (AP) is maximum, the Marginal Product (MP) is: (a) Equal to AP (b) Less than AP (c) More than AP (d) None of the above	1
4	The total cost of 5 units of output is Rs.40. the fixed cost is Rs.5. the average variable cost at 5 units of output is: (a) Rs.35 (b) Rs.7 (c) Rs.8 Rs.5	1
5	What is a budget line? Why it is negatively sloped? OR What is meant by Inelastic demand? Compare it with perfectly inelastic demand.	3
6	What is 'Marginal Rate of Transformation'? Explain with the help of an example.	3
7	Given the price of a good, how will a consumer decide as to how much quantity to buy of that good? Explain.	4
8	Explain the implication of freedom of entry and exit of firms under perfect competition. OR State any two characteristics of monopolistic competition. Which of the characteristics separates it from perfect competition?	4
9	The price of a commodity is Rs.10 per unit and total revenue from it is Rs.1,000. Its price elasticity of supply is 0.8. Its price falls by 10 percent. Calculate the total revenue at the reduced price.	4

- 10 Define price elasticity of demand. Explain the various degrees of price elasticity of demand. 6
- 11 From the following information about a firm, find the firm's equilibrium output in terms of marginal cost and marginal revenue. Give reasons. Also find profit at this output. 6

Output (units)	Total Revenue (Rs)	Total cost (Rs)
1	6	7
2	12	13
3	18	17
4	24	23
5	30	31

OR

Giving reasons, state whether the following statements are true or false:

- (i) Average Product will increase only when marginal product increases.
 - (ii) Under diminishing returns to a factor, total product continues to increase till marginal product reaches zero.
 - (iii) The difference between Average total cost and Average variable cost increases as production is increased.
- 12 Market for a good is in equilibrium. There is simultaneous 'increase' both in demand and supply of the good. Explain its effect on market price. 6

SECTION B

- 13 The central bank can increase availability of credit by: 1
- (a) Raising repo rate (b) Raising reverse repo rate (c) buying government securities (d) selling government securities.
- 14 Why does consumption curve not start from the origin? 1
- 15 If Nominal income is Rs.500 and Price Index is 125. Calculate Real Income. 1
- 16 Define bank money. 1
- 17 How will you treat the following while estimating national income of India? 3
- (a) Dividend received by an Indian from his investment in shares of a foreign company.
 - (b) Money received by a family in India from relatives working abroad.
 - (c) Interest received on loans given to a friend for purchasing a car.

OR

Distinguish between factor income and transfer payments. Give suitable examples.

- 18 Define Multiplier. What is the relation between marginal propensity to consume and multiplier? Calculate the marginal propensity to consume if the value of multiplier is 4. 3
- 19 Explain the following functions of Central Bank: 4
- (a) Banker's Bank
 - (b) Issue of currency

OR

What is bank rate policy? How does a central bank control the availability of credit by the bank rate policy?

- 20 An economy is in equilibrium. Find Investment Expenditure. 4
National Income = 1200
Autonomous consumption expenditure = 150
Marginal propensity to consume = 0.8
- 21 What is meant by deflationary gap? State three measures to reduce this gap. 4
- 22 (a) Distinguish between capital receipt and revenue receipt 6
(b) Give the meaning of revenue deficit, fiscal deficit and primary deficit.
- 23 What is exchange rate? How is the equilibrium rate of exchange determined in a foreign exchange market? Explain with the help of a diagram. 6
- OR
- What is balance of payments? What are the components of capital account of balance of payments in India?
- 24 Calculate Gross National Product at factor cost' from the following data by (i) Income method and (ii) expenditure method 6

Items	Rs. in crores
Private final consumption expenditure	1000
Net domestic capital formation	200
profits	400
Compensation of employees	800
Rent	250
Government final consumption expenditure	500
Consumption of fixed capital	60
Interest	150
Net current transfers from rest of the world	(-)80
Net factor income from abroad	(-)10
Net exports	(-)20
Net indirect Taxes	80

End of the Question Paper