INDIAN SCHOOL MUSCAT
FIRST TERM EXAMINATION

ECONOMICS

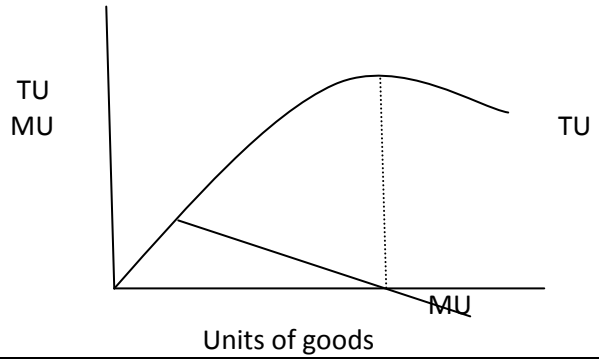
CLASS: XI **Sub. Code: 030 / B** **Time Allotted: 3 Hrs**

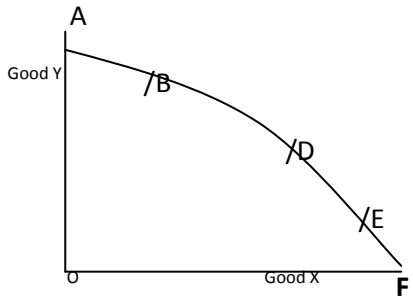
23.09.2018 **Max. Marks: 80**

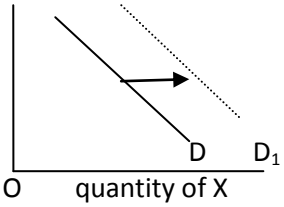
EXPECTED VALUE POINTS AND SCHEME OF EVALUATION

Q.NO.	Answers	Marks
1	SERVICE HOLDER is a person working for somebody and gets paid for it. SERVICE PROVIDER is a person who provide some kind of service to others for a payment	1
2	Scarcity of resources	1
3	To collect evidences to reach a sound conclusion	1
4	iv. Class mid points	1
5	It enables the economists to present economic facts in a precise and definite form Helps in condensing mass data into a few numerical measures Used to find relationship between different economic factors Helps to predict the changes in one economic factor due to changes in another factor Helps to formulate economic policies (any three relevant points)	3 (1+1+1)
6	Variables are values that vary time to time Observations are values of the variables Sample error is the difference between sample estimate and the actual value of a characteristic of population. OR Errors of data acquisition:- arises from recording of incorrect responses Non response errors:- error occurs when interviewer I unable to contact a person listed in the sample. Sampling bias:- when some members of the target population could not possibly be included.	3 (1+1+1)
7	a. Primary data is based on first hand information- It is more time consuming and costly. Secondary data is already collected and processed by some other agency. It saves time and cost. b. Census is method of studying a phenomenon by collecting data from each and every unit of the population –expensive and time consuming Sampling is the method of collecting information from a section of population selected for study- less expensive and saves time	4
8	Raw data is collected and unclassified data. Chronological classification Spatial classification Qualitative classification Quantitative classification (with meaning of each)	4
9	Considerable loss of information- it does not show details found in raw data-actual observation does not have any significance in further statistical analysis-all values of the class is assumed to be equal to their mid values.	4

	OR Inclusive method includes both the upper limit and the lower limit in that class. Exclusive series upper limit is not included in the same class. All statistical calculations are based on exclusive series because there is a discontinuity in inclusive series Inclusive series is converted into exclusive in the following ways a. Find the difference between lower limit of the second class and upper limit of the first class b. Divided the difference by two c. Subtract the value obtained from the lower limit of all classes d. Add the value obtained with the upper limit of all the classes	
10	Questionnaire should not be too long Series of questions should move from general to specific Questions should be precise and clear Questions should not be ambiguous, to enable the respondents to answer quickly, correctly and clearly The questions should not use double negative Question should not be a leading question, which gives a clue about how the respondent should answer (any six valid points)	6
11	Personal interview Mailing questionnaire Telephone interview Any one method Its suitability Any two advantages Any two disadvantages	6
12	Frequency distribution is a method of classifying data into different classes along with their corresponding class frequencies. Construction of frequency distribution involves the following steps Determination of number of classes Determination of size of each class Determination of class limits Determination of class frequencies OR Classes Tally bars Frequency 1 - 7 /// //// //// //// 15 8 - 14 /// //// //// // 12 15 - 21 /// //// //// //// 15 22 - 28 /// //// //// 09 29 - 35 /// //// // 07 36 - 42 // 02 TOTAL 60	6
	SECTION B	
13	ii. equal to one	1
14	ii. fall in price of the good	1

15	RBI must reduce rate of interest so that Invest can be increased to increase the rate of growth. (Any suitable sentence)	1
16	The sum of marginal utilities	1
17	Ed= ΔQ/ΔP x P/Q =-1 =ΔQ/2 x 8/80 =-1 =75 units	3
18	A consumer buys the good because of its utility. Utility derived from the last unit is called marginal utility. Consumers purchase depends on Mu and price of the good. It MU is more than price, consumers will buy mire units If Mu is less than the price consumers will buy less units of the good When MU = price consumers will get maximum satisfaction and is at equilibrium. OR MU is the change in total utility from the consumption of an additional unit. Their relationship can be explained as follows When Mu is positive total utility must be increasing. When MU is decreasing and positive total utility must be rising When MU is zero Total Utility reaches maximum and constant. When MU is negative total utility is negative.  	3
19	MRS the quantity of good two sacrificed for an additional unit of good one. MRS determines the slope of IC. As MRS diminishes, slope of IC is diminishing. IC has a diminishing slope. It becomes convex to the origin Diagram OR A family of indifference curve. IC to the right shows consumption bundles with more units of both the good. Higher IC indicates higher utility. Consumer will try to move to the highest possible indifference. Diagram	4
20	Good X: 0 1 2 3 4 5 Godd Y: 10 8 6 4 2 0 MRS: --- 2:1 2:1 2:1 2:1 2:1 MRT= ΔY/ ΔX MRT is constant. MRT is slope of of PPC PPC is having a constant slope Diagram with straight line PPC	4
21	Problem of making choices in the presence f scarcity of resources How to produce is related to technology or method of production.	4

	Labour intensive or capital intensive. Whatever the technology, it should enable us to produce the goods with minimum of resources because resources are scarce. In a market oriented economy it is solved through market forces of demand and supply or price mechanism.	
22	A curve that shows different combinations of maximum amount of two goods that can be produced with given resources and technology. PPC shows various combinations of two goods that can be produced with available technologies and with given resources, which are fully efficiently utilized. At a given point of time, the technologies available to produce various goods and services as well as resources available in the economy are limited. If more resources go into the production of one good, less is available for the production of other good. In order to decide which combination of goods is the best, we have to first identify various combinations that are available to an economy. This is illustrated by concept called production possibility curve. Possibilities Good X Good Y A B A 0 15 *H B 1 14 C 2 12 D 3 9 E 4 5 F 5 0  At the point A only Good Y is produced no good X. At the point F only good X is produced but no Y. Points B, C, D, and E shows various combinations of both the goods. Which combination to be produced, depends on the taste and preferences of the society. Any point on the curve (like a, b, c, d and f) show full employment of resource Any point below the PPC (point G)show under employment of resource Any point above the PPC (point H) show beyond the reach with available resource. It can shift to right when	6

	a. Level of technology improves b. Growth of resources and labour c. Increase in productivity of labour d. Increase in the stock of capital It can shift to left when a. Destruction of capital stock due to natural calamities b. Depletion of resources c. Decrease in availability of labour etc	
23	Statement is true. Good X and good Y are complementary good. Complementary goods are those good demanded together to satisfy one ward. When price of good Y decreases, consumers will buy more units of good Y. As good X is complementary to good Y, consumers have to buy more of good X. Demand for good X will increase. Its demand curve will shift to right Price or X  Statement is false. Demand for a good need not increase when income of the consumer increases. It depend on whether the good is Normal good or Inferior good Normal goods are those good of which demand will increase when income of the consumer increases. Demand curve shifts to right. Its demand will decrease when income of the consumer decreases. Its demand curve will shift to left. (diagram) Inferior good are those goods that will be demanded more at a lower income and demanded less at a higher income. Its demand curve will shift to left when income of the consumer increases and vice versa. (diagram)	3+3
24	Budget set consists of all possible consumption bundles that are available for the consumer with his budgeted income and at given prices of the goods. Budge line is the line that consists of all possible consumption bundles that costs exactly equal to consumer's budget. Budget line can shift when: a. Income of the consumer changes When income increases consumer can buy more units of both the goods. Budget line will shift parallel to right. (Diagram) When income of the consumer decreases consumer can buy only less of both the goods. Budget line will shift parallel to left. b. Prices of good one and good two change. When price of good1 decreases consumer can buy more units of good1 with his given budget. Budget line shift to right along the X axis. Vertical intercept will not change. If price of good 1 increases, consumer can buy only less units of the good with the given income. Budget line shifts to left along the X axis. Horizontal intercept will not change (diagram) (OR effect of change in Price of good two) OR The conditions are: MRS must be equal to Price Ratio	2+2+2

Budget line must be tangent to IC

A budget set describes the bundles that are available to the consumer.

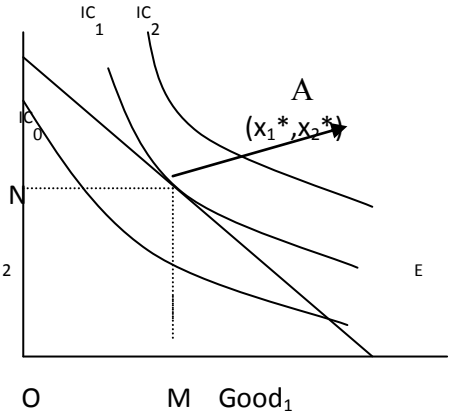
An indifference map shows her preferences over the available bundles. A rational consumer always tries to move to the point on the highest indifference curve possible giver her budget set.

Optimum point would be located on the budget line. A point below the budget line cannot be optimum. The point above the budget line is not available with the given income. These could be some point on the budget line, which is preferred by the consumer. This optimum bundle of the consumer is located at the point where the budget line is tangent to the Indifference curve.

At the point the absolute value of the slope of the IC (MRS) and that of the budget line (Price Ratio) are the same.

MRS=Price ratio.

'AB' is the budget line. At the point 'E' Budget line touches the highest possible I



Consumer buys ON units of $good_2$ and

OM units of $good_1$

B