INTRENATIONAL INDIAN SCHOOL – DAMMAM
FIRST TERMINAL EXAMINATION 2012

ECONOMICS-CLASS XII

SET-A

TIME: 3 HOURS                  MARKS: 100
GENERAL INSTRUCTIONS:

1) All questions in both the sections are compulsory
2) Marks for questions are indicated against each
3) Question number 1 to 5 and 20 to 24 are very short answer questions carrying 1 mark each. They are required to be answered in one sentence each.
4) Questions 6 to 12 and 25 to 27 are short answer questions carrying 3 marks each.
5) Questions 13 to 16 and 28 to 30 are short answer questions carrying 4 marks each.
6) Questions 17 to 19 and 31 to 32 are long answer questions carrying 6 marks each

Section-A

Micro Economics

1 Define Microeconomics. 1
2 If the price of good X falls and it leads to an increase in demand for good Y, how are these two goods related? 1
3 Define Marginal Cost. 1
4 When the demand for a good is is said to be elastic? 1
5 What is the price elasticity of supply of a commodity whose straight line supply curve passes through the origin forming an angle of 40°? 1
6 Explain the central problem of “for whom to produce” in an economy? 3
7 A consumer is consuming one commodity and he is under equilibrium. The price of the commodity increases. Explain the reaction of the consumer with the help of utility analysis. 3
8 How is the price elasticity of demand of a commodity affected by the nature of the commodity? Explain. 3

Or

Draw a demand curve and show the points on it elasticity of demand is (i) perfectly elastic and (ii) perfectly inelastic price elasticity of demand.

9 Write the conditions of Consumer’s equilibrium when the consumer consumes two commodities by utility approach. 3
10 From the following cost schedule of a firm calculate marginal cost and average total cost at each level of output. Fixed cost is Rs. 120.

<table>
<thead>
<tr>
<th>Output (units)</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average variable cost (Rs)</td>
<td>40</td>
<td>32</td>
<td>36</td>
</tr>
</tbody>
</table>

11 Explain the meaning of ‘increase in supply’ and ‘expansion of supply’ with the help of a schedule and diagram. 3
12 Explain how an improvement in technology of a good affects the supply of that good.
13 Define Production Possibility Curve. Explain why it is concave to the origin?
14 The price elasticity of supply of commodity X and Y are equal. The price of X falls from Rs.10 to Rs.8 per unit and its quantity supplied falls by 16 per cent. The price of Y rises by 10 per cent. Calculate the percentage increase in its supply.
15 Explain how increase in income of the consumer affects the demand of a commodity.
   Or
   Explain how fall in price of related goods affect the demand of a commodity.
16 Explain any four properties of Indifference curve.
17 Explain the concept of Marginal rate of substitution. Explain the reaction of the consumer when Marginal rate of substitution is higher than the ratio of prices.
   Or
   Explain consumer’s equilibrium by Indifference curve analysis.
18 What is Producer’s Equilibrium? From the following schedule find out the level of output at which the producer is in equilibrium. Give reasons for your answer. (Use marginal revenue and marginal cost approach)

<table>
<thead>
<tr>
<th>Output(units)</th>
<th>Average revenue(Rs)</th>
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</thead>
<tbody>
<tr>
<td>1</td>
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<td>7</td>
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<td>48</td>
</tr>
</tbody>
</table>
19 Explain the likely behavior of Total product, Marginal Product when one variable factor changes and all the other factors remains the same.

Section -B

Macro Economics

20 Define a stock variable.
21 Define primary deficit.
22 What is the difference between GDP\(_c\) and NNP\(_{mp}\)?
23 What is government budget?
24 Distinguish between revenue receipts and capital receipts in a government budget. Give example in each case.
25 Explain how ‘externalities’ are a limitation of taking gross domestic product as an index of welfare.
   Or
   Explain how ‘non monetary transactions’ are a limitation of taking gross domestic product as an index of welfare.
26 Explain circular flow of income in a two sector economy.
27 Write the difference between developmental expenditure and non-developmental expenditure.
28 Calculate 'Sales' from the following data:

(Rs. In lakhs)

(i) Net value added at factor cost 300
(ii) Intermediate consumption 200
(iii) Indirect tax 20
(iv) Depreciation 30
(v) Change in stock (-)50

29 Explain with the help of suitable examples the basis of classifying taxes into direct and indirect taxes.

Or
Explain the objective of stability of prices of government budget.

30 How should the following be treated while estimating national income? Give reasons for your answer.
(i) Imputed rent of self occupied houses.
(ii) Dividend received on shares.

31 Find out (a) Gross National Product at Market price and (b) Net Current Transfer from Abroad:

(Rs. In crore)

(i) Net national disposable income 1,100
(ii) Net indirect tax 120
(iii) Private final consumption expenditure 750
(iv) Government final consumption expenditure 250
(v) Net domestic fixed capital formation 200
(vi) Net imports -40
(vii) Net factor income to abroad -20
(viii) Depreciation 50
(ix) Change in stock 10

Or
Calculate (a) Gross domestic product at factor cost, and (b) Factor income from abroad, from the following data:

(Rs. in crore)

(i) Gross national product at factor cost 6150
(ii) Net exports (-)50
(iii) Compensation of employees 3000
(iv) Rent 800
(v) Interest 900
(vi) Profit 1300
(vii) Net indirect taxes 300
(viii) Net domestic capital formation 800
(ix) Gross fixed capital formation 850
(x) Change in stock 50
(xi) Dividend 300
(xii) Factor income to abroad 80
Calculate from the following data.

(a) Gross National Disposable Income (b) Private Income (c) Personal Income

(Rs. in crores)

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>(i) Gross national product at factor cost</td>
<td>400</td>
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<tr>
<td>(ii) Net factor income from abroad</td>
<td>20</td>
</tr>
<tr>
<td>(iii) Consumption of fixed capital</td>
<td>30</td>
</tr>
<tr>
<td>(iv) Indirect tax</td>
<td>50</td>
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<td>10</td>
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<td>(viii) Savings of non-departmental enterprises</td>
<td>15</td>
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<td>(xi) National debt interest</td>
<td>45</td>
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<td>(x) Current transfer from government administrative departments</td>
<td>60</td>
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<td>(xii) Savings of private corporate sector</td>
<td>40</td>
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Micro Economics

1 Define Macroeconomics.
2 If the price of good X falls and it leads to a decrease in demand for good Y, how are these two goods related?
3 Define Marginal Revenue.
4 When the demand for a good is said to be inelastic?
5 What is the price elasticity of supply of a commodity whose straight line supply curve passes through the origin forming an angle of 60°?
6 Explain the central problem of “What to produce” in an economy?
7 A consumer is consuming one commodity and he is under equilibrium. The price of the commodity increases. Explain the reaction of the consumer with the help of utility analysis.
8 How is the price elasticity of demand of a commodity affected by the number of substitute goods of the commodity? Explain.
9 Draw a demand curve and show the points on it elasticity of demand is (i) perfectly elastic and (ii) perfectly inelastic price elasticity of demand.
10 Write the conditions of consumer’s equilibrium when the consumer consumes two commodities by utility approach.
11 From the following cost schedule of a firm calculate marginal cost and average total cost at each level of output. Fixed cost is Rs.120.

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12 Explain how does a tax imposed on a good affect the supply of that good.

13 Define Production Possibility Curve. Explain why it is concave to the origin?

14 A firm supplies a certain quantity of a good at a price of Rs.10 per unit. When price changes to Rs.9 per unit, the firm supplies 10 units less. Price elasticity of supply is 1. What is the quantity supplied before and after price change? Calculate.

15 Explain how fall in the price of related goods affect the demand of a commodity.

Or

Explain how increase in income of the consumer affects the demand of a commodity.

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(a) Gross National Disposable Income (b) Private Income and (c) Personal Income (Rs.in crores)

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