

INTERNATIONAL INDIAN SCHOOL, DAMMAM
FIRST TERMINAL EXAMINATION, June 2013
STANDARD : XII M M: 100 (MICROECONOMICS: 60, MACROECONOMICS: 40)
SUBJECT: ECONOMICS TIME: 3 HOURS

SET A

GENERAL INSTRUCTIONS:

- (i) All questions in both the sections are compulsory.
- (ii) Marks for questions are indicated against each question.
- (iii) Questions 1-4 and 19-24 are very short answer questions carrying 1 mark each. They are required to be answered in one sentence each.
- (iv) Questions 5 to 10 and 25 to 28 are short answer questions of 3 marks each. Answers to them should not normally exceed 60 words each.
- (v) Questions 11-15 and 29 are also short answer questions of 4 marks each. Answers to them should not normally exceed 70 words each.
- (vi) Questions 16-18 and 30-32 are long answer questions of 6 marks each. Answers to them should normally not exceed 100 words each.
- (vii) Answers should be brief and to the point and the above word limits should be adhered to as far as possible.
- (viii) Word limits are not applicable to numerical answers.
- (ix) All parts of a question should be answered at one place.
- (x) Use of Calculator is not allowed.

Section A
MICROECONOMICS

- 1) Define marginal rate of substitution. 1
- 2) What do you mean by slope of budget line? 1
- 3) What is market economy? 1
- 4) Define production function. 1
- 5) Demand for electricity has increased. However, supply cannot be increased due to lack of resources. Explain how, in any two ways, demand for electricity can be decreased. 3
- 6) A firm's average fixed cost, when it produces 2 units is RS. 30. Calculate its marginal cost and average variable cost at each level of output. 3
Output (units): 1 2 3
Average total cost (rupees): 80 48 40
- 7) Differentiate between microeconomics and macroeconomics. 3

OR

Explain the concept of how to produce?

- 8) Draw a PPC showing the following situations: 3
- a) Full employment of resources.
 - b) Under employment of resources.
 - c) Growth of resources.
- 9) Differentiate between marginal opportunity cost and opportunity cost. 3
- 10) Explain with the help of an example total expenditure method of measuring price elasticity of demand. 3
- 11) What is the effect on the supply of a good when: 4
- a) An improvement in technology takes place.
 - b) There is rise in the price of raw materials.
- 12) Explain the reasons behind Increasing Returns To a Factor. 4

OR

Explain the reasons behind Diminishing Returns To a Factor.

- 13) A 25% fall in the price of good raises its demand from 600 units to 750. Calculate its price elasticity of demand. Draw a demand curve for this kind of elasticity of demand. 4
- 14) How is the demand of good affected by the rise in prices? 4
- 15) Explain consumer's equilibrium in case of a single commodity with the help of utility schedule. 4
- 16) Explain consumer's equilibrium under indifference curve analysis. 6

OR

Explain the features of an indifference curve.

- 17) Explain the relationship between average physical product and marginal physical product with the help of a schedule and diagram. 6
- 18) State whether the following statements are true or false. Give reasons. 6
- i) When total revenue is constant, average revenue is also constant.
 - ii) When marginal revenue falls to zero, average revenue becomes maximum.
 - iii) When marginal revenue is zero, total revenue will be constant.

Section B

MACROECONOMICS

- 19) What do you mean by revenue in government budget? 1
- 20) Give one example of an intermediate good in a bakery. 1
- 21) What do you mean by fiscal policy? 1
- 22) Define depreciation. 1
- 23) Is income from lottery included in calculation of national income? Why? 1

- 24) Define government budget. 1
- 25) Explain direct and indirect taxes with the help of examples. 3
- 26) Distinguish between revenue receipts and capital receipts in government budget. 3
- 27) Draw a circular flow of income in a four sector economy. 3

OR

Differentiate between real flow and money flow.

- 28) Differentiate between domestic income and national income. 3
- 29) What are the important objectives of government budget? 4

OR

Explain developmental and non developmental expenditure in government budget.

- 30) Estimate National Income by (a) Expenditure Method and (b) Income Method from the given data. 6

Items: (Rs. in Crore)

i) Private Final Consumption Expenditure	210
ii) Government Final Consumption Expenditure.	50
iii) Net Domestic Capital Formation.	40
iv) Net Exports.	(-5)
v) Wages and Salaries.	170
vi) Employers' Contribution to Provident Fund.	10
vii) Profit.	45
viii) Interest.	20
ix) Indirect taxes.	30
x) Subsidies.	5
xi) Rent.	10
xii) Net Factor Income from abroad.	3
xiii) Consumption of fixed capital.	25
xiv) Royalty.	15

- 31) Will the following be a part of domestic factor income of India? Give reasons for your answer. 6

- i) Old age pension given by government.
- ii) Salaries to Indian residents working in Russian Embassy in India.
- iii) Profits earned by a company in India which is owned by a non-resident.

- 32) Calculate from the following data a) Private income b) Personal Disposable Income c) Net national disposable income.

6

Items:	(Rs. in Crore)
i) National income.	3000
ii) Savings of private corporate sector.	30
iii) Corporation tax.	80
iv) Current transfers from government administrative departments.	60
v) Income from property and entrepreneurship accruing to government administrative departments.	150
vi) Current transfers from the rest of the world.	50
vii) Savings of non-departmental government enterprises.	40
viii) Net indirect taxes.	250
ix) Direct taxes paid by households.	100
x) Net factor income from abroad.	(-10)

OR

Describe the precautions taken in Income Method and Value Added Method while calculating National Income.

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