

# INTERNATIONAL INDIAN SCHOOL, DAMMAM

MODEL EXAMINATION-2017

CLASS XII ECONOMICS

SET A

Time allowed: 3 hours

Maximum Marks: 80

General Instructions:

- (i) All questions in both sections are compulsory.
- (ii) Marks for each question are indicated against each question.
- (iii) Question 1 – 4 and 13- 16 are very short answer questions carrying 1 mark each. They are required to be answered in one sentence.
- (iv) Question No 5-6 and 17 – 18 are short answer questions carrying 3 marks each. Answers to them should not normally exceed 60 words each.
- (v) Question No 7 - 9 and 19 – 21 are short answer questions carrying 4 marks each. Answers to them should not normally exceed 70 words each.
- (vi) Question No 10 - 12 and 22 – 24 are long answer questions carrying 6 marks each. Answers to them should not normally exceed 100 words each.
- (vii) Answers should be brief and to the point and the above word limit be adhered to as far as possible.

## SECTION A

1. The opportunity cost of purchasing inputs from the market is known as. 1
2. In the second phase of law of variable proportion, when TP is maximum, MP will be : 1  
(a) infinity (b) zero  
(c) positive (d) negative
3. 15% rise in the price of a commodity raises its supply from 300 to 345 units. Elasticity of supply is, 1  
(a) infinity (b) unity  
(c) more than one (d) less than one
4. Name the form of market in which the demand curve is straight line parallel to X axis. 1
5. The market demand for a good at Rs.5 per unit is 100 units. When price changes market demand raises to 150 units. Find the new price if price elasticity of demand is -2.5. 3

6. Give the meaning of collusive oligopoly. Explain any two features of oligopoly. 3

OR

Under monopoly price discrimination exists. Explain it.

7. Why do central problems arise in an economy? Explain the central problem "How to produce?" 4

OR

Explain the concept of opportunity cost on the basis of the assumption that 'no resource is equally efficient in production.'

8. What is indifference set? Write any three properties of Indifference curve. 4
9. Examine the effect of the following on supply curve of good X. 4

(a) Rise in cost of raw material.

(b) Fall in rate of tax on good X.

10. A consumer consumes only two goods X and Y. Marginal Utility of X and Y are 4 and 3 respectively. Price of X and Y are 4 per unit in each. 6

Is the consumer in equilibrium? What will be further reaction of the consumer? Explain.

11. Define Marginal Cost. Explain its relation with Average Cost with the help of a numerical example. Use diagram. 6

12. Explain the effect of a decrease in demand for a commodity upon its equilibrium price and quantity. Give the chain effect of the change. 6

OR

Explain the effect of an increase in supply of a commodity upon its price and quantity. Give the chain effect of the change.

## SECTION B

13. The value of money multiplier is , 1  
(a)  $1/\text{MPC}$  (b)  $1/\text{LRR}$   
(c)  $1/\text{MPS}$  (d) Initial deposit/LRR
14. With a decrease in Statutory Liquidity Ratio (SLR) flow of credit in the 1  
economy.
15. Name the item that are undertaken to maintain the balance in the BOP 1  
account.
16. Which of the following is the source of demand for foreign exchange? 1  
(a) imports (b) tourism  
(c) income receipts (d) both (a) and (b)
17. Draw on a diagram a straight-line consumption curve for an economy. 3  
From it, derive the saving curve. Show a point at which  $\text{APS}=0$ ?
18. In an economy  $S = -200 + 0.7Y$  is the saving function where S is saving 3  
and Y is national income of the economy. If investment expenditure  
is 1200. Calculate,  
(i) Equilibrium level of income  
(ii) Consumption expenditure at equilibrium level.
19. "Does 'percapita real GDP' measure economic welfare of the 4  
country." Comment.
20. What is money? Explain the following functions of money. 4  
(a) Medium of exchange function  
(b) Standard of deferred payment

OR

What are the implications of the following in the flow of credit in the  
economy

- (a) Increase in repo rate  
(b) Decrease in margin requirements

21. What is foreign exchange market? How does appreciation of the domestic currency influence the foreign trade of the country? 4
22. Assuming that increase in investment is Rs.100 crores and marginal propensity to consume is 0.9.Explain the working of investment multiplier. 6

OR

What is deflationary gap? What are the fiscal policy measures to control deflation in the economy? Explain.

23. What is GST? Explain the role of budget in controlling inflation and deflation in the economy. 6

OR

What is direct tax? There is a wide gap between the rich and poor in an economy. How can the government budget be used as an instrument to reduce the gap?

24. Calculate National income using income method and expenditure method. 6

No	Item	Amount (Rs. in Crs.)
1	Compensation of Employees	1600
2	Employees' contribution to security schemes	300
3	Private Final Consumption Expenditure	3450
4	Indirect taxes	500
5	Rent	300
6	Interest and Profit	700
7	Net Exports	-100
8	Gross Domestic Fixed Capital Formation	1150
9	Closing Stock	300
10	Opening Stock	100
11	Net Factor Income From Abroad	50
12	Current replacement cost	150
13	Mixed Income of Self Employed	2200
14	Public Final Consumption Expenditure	750
15	Dividend	200

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