

# International Indian School Dammam

Preliminary Examination 2015

Class XII Economics

Time : 3 Hours

Maximum Marks : 100

## SET A

### Instructions:

1. All questions in both sections are compulsory. However, there is internal choice in some questions.
2. Marks for questions are indicated against each question.
3. Question No.1-3 and 15-19 are very short answer questions carrying 1 mark each. They are required to be answered in one sentence.
4. Question No.4-8 and 20-22 are short answer questions carrying 3 marks each. Answers to them should not normally exceed 60 words each.
5. Question No.9-10 and 23-25 are also short answer questions carrying 4 marks each. Answers to them should not normally exceed 70 words each.
6. Question No.11-14 and 26-29 are long answer questions carrying 6 marks each. Answers to them should not normally exceed 100 words each.
7. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

### SECTION A : MICROECONOMICS

1. Draw a curve showing unitary elasticity of supply. (1)
2. In breakfast Ram consumed 2 biscuits. From first biscuit he derived total utility equal to 10 and from the second biscuit he derived total utility of 18. How much marginal utility he derived from second biscuit? (1)
  - a) 8
  - b) 10
  - c) 18
  - d) (-)10
3. If price of a good increases by 20 percent and demand for it falls by 50%, elasticity of demand will be : (1)
  - a) 2.5
  - b) 0.4
  - c) 1.5
  - d) 0.5
4. Differentiate between opportunity cost and marginal opportunity cost. Use examples. (3)
5. Explain the central problem: "What to produce" (3)

OR

Explain the central problem: "For whom to produce".

6. a) Construct a schedule showing market supply of a good. (1½)  
b) Explain the effect on supply of textiles when there is rise in the price of inputs like thread and dye. (1½)
7. With the help of a figure, explain the implications when government announces Minimum Support Price for the farmers growing wheat. (3)
8. Differentiate between monopoly and monopolistic competition market on the basis of (a) entry and exit of new firms in the market (b) availability of substitutes. (3)
9. A and B are substitute goods. Explain the effect of change in price of A on demand for B. Use diagrams. (4)
10. Explain why an Indifference curve is (a) downward sloping from left to right and (b) convex. (4)

OR

Explain the concept of Marginal Rate of Substitution with example. What happens to MRS when consumer moves downward along the Indifference curve?

11. From the following data find out the level of output at which the producer is in equilibrium. Give reasons for your answer. Use marginal cost, marginal revenue approach (6)

Output(units)	Total Revenue (Rs.)	Total cost (Rs.)
1	12	14
2	24	26
3	36	36
4	48	48
5	60	62

12. With the help of figure justify, whether these are true or false. (6)
- (a) Total product will increase only when marginal product increases.  
(b) When marginal product falls, average product will also fall.  
(c) If marginal product is negative, total product is constant.
13. The following headline appeared in the Hindustan Times: "*Bumper crop of onions sent the price all time low*". Use a diagram and economic theory to analyze the statement. (6)

OR

A piece of news appeared in the newspapers : "*As income in India is increasing, peoples' demand for cars is also rising*". Use a diagram and economic theory to analyze the impact of rise in income on demand for cars.

14. What are the causes of elasticity of demand? Explain with examples. (6)

### SECTION B: MACRO ECONOMICS

15. Which out of the following items is not included in the money supply of a country? (1)
- (a) Stock of gold held with the Central Bank.  
(b) Coins and currency  
(c) Demand deposits  
(d) Time deposits.

16. What is Reverse Repo Rate? (1)
17. Which of the following is included in stock ? (1)
- (a) Birth rate
  - (b) Income of a person
  - (c) Wealth
  - (d) Expenditure by Government.
18. Subsidies are an example of: (1)
- (a) revenue expenditure
  - (b) Capital Expenditure
  - (c) planned expenditure
  - (d) none of the above.
19. While financing a deficit, under which measure government can print more currency? (1)
- (a) Deficit financing
  - (b) Disinvestment
  - (c) By issuing bonds
  - (d) None of them.
20. What are the 3 categories in which Balance of Payment transactions are classified. Use examples. (3)
21. State the meaning of components of Aggregate Demand. (3)

OR

Explain the concept of Inflationary Gap. How can this gap be reduced by any one fiscal policy adopted by the government?

22. Distinguish between APC and MPC. The value of which of these two can be greater than 1 and when? Use example. (3)
23. Differentiate between : (4)
- (a) Intermediate goods and Final goods.
  - (b) Real flow and Money flow
24. What do you understand by Fixed and Flexible Exchange Rate system? Give one merit of each. (4)
25. Calculate net value added at factor cost from the following data: (4)

(Rs. in lakhs)

i) Purchase of machinery to be used in the production unit.....	100
ii) Sales.....	200
iii) Intermediate costs.....	90
iv) Indirect taxes.....	12
v) Change in stock.....	10
vi) Excise duty.....	6
vii) Stock of raw material.....	5

OR

The value of nominal GNP of an economy was Rs.2,500 crores in a particular year. The value of GNP of that country during the same year evaluated at the price of some base year was Rs.3,000 crores. Calculate the value of the GNP deflator of the year in percentage terms. Has the price level risen between the base year and the year under consideration?

26. In the Government of India's budget for the year 2013-14, the Finance Minister proposed to raise the custom duty on imports of foreign cars. He also proposed to decrease income tax on females earning less than Rs.10 lakh per annum.

Identify and explain the types of taxes proposed by the Finance Minister. What are the objectives behind these decisions? (6)

27. Draw a Straight Line Consumption Curve. From it, derive the saving curve. Explain the process of derivation. On the diagram show: (6)

- (a) The income level at which  $APC=1$
- (b) The income level at which  $APS$  is negative.

28. How do commercial banks create credit in an economy? Use a numerical example to show the process of credit creation. (6)

29. From the following data calculate "National Income" by a) Income Method, and b) Expenditure Method. (3+3)

(Rs. in crores)

i) Net domestic capital formation .....	360
ii) Interest .....	200
iii) Change in stock .....	100
iv) Rent.....	300
v) Private final consumption expenditure .....	1,300
vi) Government final consumption expenditure.....	730
vii) Net exports.....	(-)20
viii) Net indirect taxes .....	70
ix) Net current transfers from rest of the world .....	80
x) Consumption of fixed capital.....	60
xi) Net factor income from abroad.....	(-)50
xii) Profits.....	600
xiii) Compensation of employees .....	1,200

OR

Calculate a)Private income and b) Personal disposable income from the following data:

(Rs. in crores)

i) Income from property and entrepreneurship accruing to government administrative departments.....	500
ii) Savings of non-departmental public enterprises.....	100
iii) Corporation tax .....	80
iv) Income from domestic product accruing to private sector .....	4,500
v) Current transfers from government administrative departments.....	200
vi) Net factor income from abroad.....	(-)50
vii) Direct personal taxes .....	150
viii) Indirect tax .....	220
ix) Current transfers from rest of the world .....	80
x) Savings of private corporate sector .....	500

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2. In breakfast Ram consumed 2 biscuits. From first biscuit he derived total utility equal to 20 and from the second biscuit he derived total utility of 30. How much marginal utility he derived from second biscuit? (1)
  - a) 8
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  - c) 18
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3. If price of a good increases by 50% and demand for it falls by 20% elasticity of demand will be: (1)
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8. A and B are substitute goods. Explain the effect of change in price of A on demand for B. Use diagrams. (3)
9. With the help of a figure explain the implications when government announces Minimum Support Price for the farmers growing wheat. (4)
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14. What are the causes of elasticity of demand? Explain with examples. (6)

### SECTION B: MACROECONOMICS

15. Which out of the following items is not included in the money supply of a country? (1)
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- (ii) Coins and currency
- (iii) Demand deposits
- (iv) Time deposits.
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17. Which of the following is included in stock ? (1)
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17. Which of the following is included in stock ? (1)
- (a) Birth rate (b) Income of a person  
(c) Wealth (d) Expenditure by Government.
18. Which of the following is a non-developmental expenditure? (1)
- a) scientific research b) social welfare  
c) administration d) none of the above
19. Pension payment is an example of :
- a) plan expenditure b) revenue expenditure  
c) capital expenditure d) none of the above
20. What are the 3 categories in which Balance of Payment transactions are classified. Use examples. (3)
21. Distinguish between APC and MPC. The value of which of these two can be greater than 1 and when? Use example. (3)
22. State the meaning of components of Aggregate Demand. (3)

OR

Explain the concept of Inflationary Gap. How can this gap be reduced by any one fiscal policy adapted by government?

23. Differentiate between : (4)
- (a) Intermediate goods and Final goods.  
(b) Real flow and Money flow
24. What do you understand by Fixed and Flexible Exchange Rate system? Give one merit of each. (4)
25. Calculate net value added at factor cost from the following data: (4)

*(Rs in lakhs)*

i) Purchase of raw materials .....	300
ii) Sales tax.....	20
iii) Excise duty .....	30
iv) Net addition to stock .....	50
v) Value of output .....	500
vi) Depreciation .....	10

OR

The value of nominal GNP of an economy was Rs.2,500 crores in a particular year. The value of GNP of that country during the same year evaluated at the price of some base year was Rs.3,000 crores. Calculate the value of the GNP deflator of the year in percentage terms. Has the price level risen between the base year and the year under consideration?

26. In the Government of India's budget for the year 2013-14, the Finance Minister proposed to raise the custom duty on imports of foreign cars. He also proposed to decrease income tax on females earning less than Rs.10 lakh per annum. Identify and explain the types of taxes proposed by the Finance Minister. What are the objectives behind these decisions? (6)

27. From the following data calculate National Income by Income method and Expenditure method.

(3+3)

*(Rs. in crore)*

i) Interest .....	150
ii) Rent .....	250
iii) Government final consumption expenditure .....	600
iv) Private final consumption expenditure .....	1200
v) Profit.....	640
vi) Compensation of employees .....	1000
vii) Net factor income to abroad .....	30
viii) Net indirect taxes .....	60
ix) Change in stock .....	100
x) Net exports .....	(-) 40
xi) Consumption of fixed capital .....	50
xii) Net domestic capital formation .....	340

OR

Calculate a) private income and b) personal disposable income from the following data:

*(Rs. in crore)*

i) Saving of private corporate sector.....	500
ii) Current transfers from rest of the world.....	60
iii) Corporation tax .....	80
iv) Current transfers from government administrative departments .....	170
v) Direct personal taxes .....	150
vi) Income from domestic product accruing to private sector .....	4500
vii) Savings of non-departmental public enterprises .....	250
viii) Net factor income from abroad .....	(-30)
ix) Net exports .....	(-50)

28. Draw a Straight Line Consumption Curve. From it, derive the saving curve.

Explain the process of derivation on the diagram. Show:

(6)

- (a) The income level at which  $APC=1$
- (b) The income level at which  $APS$  is negative.

29. How do commercial banks create credit in an economy? Use a numerical example to show the process of credit creation.

(6)

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