

**INTERNATIONAL INDIAN SCHOOL, DAMMAM  
PRELIMINARY EXAMINATION (2015-2016)**

Class: XII

ECONOMICS

SET-A

Time : 3 Hours

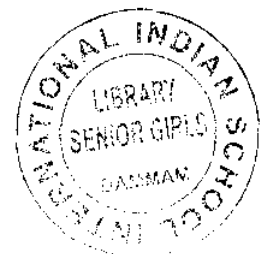
Marks : 100

**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. Monopolistic competition combines the features of (1)
  - a) Perfect competition and monopoly.
  - b) Monopoly and oligopoly.
  - c) Perfect competition and oligopoly.
  - d) None of these.
  
2. If the firms co-operate with each other rather than compete the given market is called (1)
  - a) Duopoly.
  - b) Monopolistic competition.
  - c) Perfect Oligopoly.
  - d) Collusive Oligopoly.
  
3. When elasticity of demand is one at all points on the demand curve, the demand curve (1)  
will be:
  - a) An upward sloping curve.
  - b) A rectangular hyperbola.
  - c) Parallel to X-axis.
  - d) Parallel to Y-axis.
  
4. What will be the impact of recently launched 'Clean India Mission' (Swatch Bharat Mission) on the production possibilities curve of the economy and why? (3)



5. The problem 'for whom to produce' is related to the distribution of output. Explain. (3)
6. A 5% fall in the price of a good, raises its demand from 300 units to 318 units. Calculate its price elasticity of demand. (3)
7. Why is the equality between Marginal cost and Marginal revenue necessary for a firm to be in equilibrium? Is it sufficient to ensure equilibrium? Explain. (3)

**OR**

Indicate whether the following will lead to expansion, contraction, increase or decrease in supply;

- (a) Installation of a new machine, resulting in fall in cost of production.
  - (b) An increase in price of the given commodity.
  - (c) An increase in the wages of the employees leading to rise in cost of production.
8. What is the behaviour of a) average fixed cost and b) average variable cost as more and more units of a good are produced? (3)
  9. Complete the following table: (4)

Output (units)	Average Variable Cost (₹)	Total Cost (₹)	Marginal Cost (₹)
1	-----	50	20
2	18	-----	-----
3	-----	-----	18
4	20	110	-----
5	22	-----	-----

10. Distinguish between ceiling price and floor price. (4)
11. State whether the following are True or False giving reasons: (6)
  - a) Marginal rate of substitution is nothing but the slope of indifference curve.
  - b) There exists no relationship between budget line and price line.
  - c) When total utility is maximum, marginal utility is falling.
12. Explain the law of demand and the reasons behind it. (6)

**OR**

Discuss in brief the various degrees of price elasticity of supply.

13. In the following table, identify the different phases of the law of variable proportions and also explain the causes; (6)

Variable input(units)	1	2	3	4	5	6
Total output (units)	50	110	150	180	180	150

14. Suppose the demand and supply of commodity X in a perfectly competitive market are given by:

$$Q_d = 700 - p \quad (6)$$

$$Q_s = 500 + 3p \text{ for } p \geq 15$$

$$= 0 \text{ for } 0 \leq p \leq 15$$

Assume that the market consists of identical firms. Identify the reason behind the market supply of Commodity X being zero at any price less than Rs. 15. What will be the equilibrium price for this commodity? At equilibrium, what quantity of X will be produced?

### Section B: MACROECONOMICS

15. Interest payments are included in: (1)

- a) Revenue deficit
- b) Fiscal deficit
- c) Primary deficit
- d) None of these

16. Shares purchased by the government is an example of (1)

- a) Revenue expenditure
- b) Capital receipts
- c) Capital expenditure
- d) Revenue receipts

17. Rate of exchange as determined by the government is called: (1)

- a) Fixed exchange rate
- b) Floating exchange rate
- c) Flexible exchange rate
- d) None of these

18. How externalities are a limitation in taking GDP as an index of welfare? Explain. (3)

19. From the following data about an economy, calculate (3)

- (a) Equilibrium level of national income, and
- (b) Total consumption expenditure level of national income,
  - (i)  $C = 200 + 0.5Y$  is the consumption function where C is consumption expenditure and Y is national income.
  - (ii) Investment expenditure is 1500.

20. Explain the meaning of underemployment equilibrium. Explain two measures by which full equilibrium can be reached. (3)

21. Distinguish between current account and capital account of balance of payments account (3)

22. When price of a foreign currency falls, its demand rises. Why? (3)

OR

Supply of a foreign currency rises in response to a rise in its exchange rate. Explain why?

23. What are the alternative definitions of money supply in India? (4)
24. Explain any two methods of Credit control used by Central bank. (4)
25. State whether the following statements are true or false, giving reasons. (6)
- When  $S > I$ , level of income and employment tends to shrink.
  - There is an inverse relationship between the value of Marginal propensity to save and investment multiplier.
  - Central Bank buy government securities in the open market to correct the situation of Inflationary gap.

26. Calculate Net National Product at Factor Cost and Gross National Disposable Income from the following; (6)

ITEMS	Rs. In crores
(i) Saving of non departmental enterprises	50
(ii) Income from property and entrepreneurship accruing to govt. administrative departments	70
(iii) Personal tax	90
(iv) National debt interest	20
(iv) Retained earnings of private corporate sector	10
(v) Current transfer payments by govt.	40
(vi) Consumption of fixed capital	60
(vii) Corporation tax	30
(viii) Net indirect tax	80
(ix) Net current transfers from rest of the world	(-)10
(x) Personal disposable income	1000

27. Calculate Gross National Product Market Price and Personal Income (6)

ITEMS	Rs. In crores
(i) Wages and salaries	800
(ii) Personal tax	150
(iii) Operating surplus	200
(iv) Undistributed profits	10
(v) Social security contribution by employers	100
(vi) Corporate tax	50
(vii) Net factor income to abroad	(-)20
(viii) Personal disposable income	1200
(ix) Net indirect tax	70
(x) Consumption of fixed capital	30
(xi) Mixed income of self employed	500
(xii) Royalty	9

OR

Calculate National income and Private income

ITEMS	Rs. In crores
(i) Net imports	5
(ii) Net domestic capital formation	15
(iii) Personal income	90
(iv) National debt interest	10
(v) Corporate tax	25
(vi) Government final consumption expenditure	20
(vii) Net factor income to abroad	(-)5
(viii) Net indirect tax	10
(ix) Undistributed profits	0
(X) Private final consumption expenditure	100

28. A) In the budget (2015), the government has hinted at lowering its expenditure on subsidies. Examine the economic value of this policy. (3+3)

B) How can budgetary policy be used to reduce inequalities of income?

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