

# INTERNATIONAL INDIAN SCHOOL-DAMMAM

## SECOND TERMINAL EXAMINATION NOV.-2014

### ECONOMICS

Class – XII

### SET-A

Time allowed: 3 hours

Maximum Marks: 100

#### General Instructions:

- i) All questions in both the sections are compulsory.
- ii) Questions 1 to 4 and 15 to 18 are multiple choice questions carrying one mark each.
- iii) Questions 5 to 8 and 19 to 22 are short answer questions carrying 3 marks each. Answer to them should not exceed 60 words each.
- iv) Questions 9 in section A and 23 to 26 in section B are four marks questions. These are to be answered in about 70 words each.
- v) Questions 10 to 14 in section A and 27 to 29 in section B are six marks questions. These are to be answered in about 100 words each.

#### Section A : Introductory Microeconomics

1. Growth of resources in an economy is shown on PPC by: 1
  - (a) leftward shift
  - (b) unchanged PPC
  - (c) Rightward shift
  - (d) None of the above
2. Which of the following is not a feature of perfect competition ? 1
  - (a) large no. of buyers
  - (b) free entry and exit
  - (c) large no. of sellers
  - (d) differentiated products
3. Which of the following is not a feature of monopoly ? 1
  - (a) single seller
  - (b) No freedom of entry
  - (c) close substitute
  - (d) none of the above

4, A point below PPC indicates: 1

- a) underutilization of resources                      b) over utilization of resources  
 c) Inefficient use of resources                      d) Both A and C.

5. Assuming TFC is Rs 24. Complete the table: 3

Output (units)	1	2	3
ATC (Rs.)	50	40	45
AVC (Rs.)			
MC (Rs.)			

6. The price of a commodity is Rs 100 per unit and quantity supplied at this price is 500 units. If its price falls by 10 percent and quantity supplied falls to 400 units. Calculate its price elasticity of supply. 3

7. What changes should take place in TR when (a) marginal revenue is positive and constant and (b) marginal revenue is positive and falling? 3

8. Distinguish between microeconomics and macroeconomics. 3

9. What is 'market supply'? State three factors causing increase in market supply. 4

10. Explain collusive and non-collusive oligopoly. Explain the following features of oligopoly :  
 (a) Few firms,    (b) Non-price competition . 6

or

Explain the implications of the following features of a perfectly competitive market :

- (a) Homogeneous product    (b) Large number of sellers

11. Define production possibility curve. Explain why it is downward sloping from left to right. Use diagram. 6

12. How is equilibrium price of a commodity determined? What happens if the market price is more than equilibrium price? Explain using a diagram. 6

13. Explain the distinction between "change in quantity supplied" and "change in supply".  
Use diagram. 6
14. Explain the phases of changes in total product in law of variable proportions. Also explain the reason behind each phase. Use diagram. 6

### Section B : Introductory Macroeconomics

15. What is the value of MPC when MPS is zero : 1
- (a) 1 (b) 0  
(c) less than 1 (d) greater than 1.
16. Concept of national income includes 1
- (a) old age pensions (b) money sent by NRI to his family in India  
(c) transfer payments from rest of the world (d) none of the above
17. Which of the following is not included in GDP? 1
- (a) sale of second hand scooter (b) Expenditure of intermediate goods  
(c) Transfer payments (d) All of the above.
18. Suppose we want to keep our money safe and earn more rate of interest, which of the following is a better option : 1
- (a) Recurring Deposit(RD) (b) Systematic investment plan(SIP)  
(c) shares (d) Fixed Deposit(FD).
19. Explain the meaning of investment multiplier. What can be its minimum value and why? 3
20. Explain the meaning of GDP and NNP. How are they related to each other? 3
21. Define money supply and explain its components. 3
22. Suppose GDP at MP of a country in a particular year was Rs 1100 crores. Net factor Income from Abroad was Rs. 100 crores. The value of indirect taxes - subsidies was Rs. 150 crores and National Income was Rs. 850 crores. Calculate the aggregate value of depreciation. 3
23. Explain the effect of the following on money supply: 4
- (a) fall in CRR.  
(b) rise in bank rate.

24. Give the meaning of Marginal propensity to save and average propensity to save. Can the value of APS be negative? If yes, when? 4
25. Explain the 'lender of last resort' function of central bank. 4
26. Using the 'saving and investment' approach, explain how is the equilibrium level of national income determined? Also, explain what will happen if the equilibrium condition is not fulfilled. 4

OR

Distinguish between inflationary gap and deflationary gap. State two measures by which these can be corrected.

27. Calculate 'National Income' and 'Gross National Disposable Income' from the following : 6

Items	(Rs. In crore)
(i) Net current transfers to rest of the world	(-) 5
(ii) Private final consumption expenditure	500
(iii) Consumption of fixed capital	20
(iv) Net factor income to abroad	(-) 10
(v) Government final consumption expenditure	200
(vi) Net indirect tax	100
(vii) Net domestic fixed capital formation	120
(viii) Net imports	30
(ix) Change in stocks	(-) 20

28. The consumption function in an economy is  $C = 200 + 0.5Y$ . With the help of a Numerical example show that in this economy as income increases APC decreases. 6

OR

The savings function of an economy is  $S = -100 + 0.2Y$ . The economy is in equilibrium when income is equal to 2,000. Calculate:

- (a) Investment expenditure at equilibrium level of income.  
 (b) Autonomous consumption.  
 (c) Investment multiplier.
- 29 Calculate (a) GNP at Market Prices and (b) Personal Disposable Income from the following: 6

	( Crore)
(i) Net factor income to abroad	10
(ii) Private income	1700
(iii) Operating surplus	300
(iv) Corporation tax	150
(v) Undistributed profits	30
(vi) Mixed income	500
(vii) Consumption of fixed capital	100
(viii) Personal taxes	200
(ix) Compensation of employees	1200
(x) Net indirect tax	250