

# International Indian School Dammam

Second Terminal Examination,

November 2017

Class XII Economics

Time : 3 Hours

Maximum Marks : 80

## SETA

### 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 11-15 are very short answer questions carrying 1 mark each. They are required to be answered in one sentence/word.
4. Question No.4-5 and 16-17 are short answer questions carrying 3 marks each. Answers to them should not normally exceed 60 words each.
5. Question No.6-7 and 18-21 are also short answer questions carrying 4 marks each. Answers to them should not normally exceed 70 words each.
6. Question No.8-10 and 22-24 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: MICRO ECONOMICS

1. If supply of a product falls, equilibrium price will rise or fall? 1
2. What is the behaviour of Average Fixed Cost as output increases? 1
3. Increase in the excise duty causes: 1
  - a) increase in supply, b) decrease in supply, c) decrease in quantity supplied, d) increase in quantity supplied.
4. A person starts a goods transport business. He purchases a goods carrier using partly his own saving and partly borrowing money. He drives the carrier himself. What are the explicit and implicit cost directly identifiable in it? Give reasons for your answer. 3

OR

State whether the following statements are true or false. Give reason for your answer.

- a) Average cost can fall even when marginal cost is rising.
  - b) The difference between average total cost and average variable cost is constant.
  - c) The difference between total cost and total variable cost rises with increase in output.
5. Explain the implication of the following: 3
    - a) Product differentiation in monopolistic competition market,
    - b) Large number of buyers and sellers in perfect competition market.
  6. The price elasticity of supply of a good is 2. When its price falls from ₹ 10 to ₹ 8 per unit its quantity supplied falls by 500 units. Calculate the quantity supplied at the new price. 4

OR

Explain the distinction between movement along the supply curve and shift of supply curve. Use diagrams.

7. What is the relationship between marginal revenue and average revenue in:  
a) monopoly market, b) perfect competition market.. 4
8. Why is the number of firms few in oligopoly market? Explain. 6

OR

Why are the firms said to be interdependent in an oligopoly market? Explain.

9. Identify the 3 phases of the law of variable proportion. Give reason for your answer. Use diagram. 6

Variable Input (units)	TPP units
1	3
2	7
3	10
4	12
5	11

10. The equilibrium market rate for a good X is ₹ 140 per Kg. The government finding it low fixes minimum rate as ₹ 190 per Kg. Examine the implications of the decision. Use diagram. 6

### SECTION B : MACRO ECONOMICS

11. Define National Income. 1
12. What is meant by double counting? 1
13. Give any one precaution taken while calculating national income by the expenditure method. 1
14. With an increase in SLR, flow of credit in the economy  
a) increases b) remains same, c) decreases, d) none of the above. 1
15. Define Money. 1
16. Explain fiscal measures to control excess demand. 3

OR

What do you mean by Aggregate Demand? Explain its components.

17. Draw consumption curve and saving curve in a single diagram and mark the Break Even point. 3
18. Explain any two instruments of credit control by the Central Bank. 4
19. Explain the following functions of the Central Bank:  
a) Banker's bank, b) Lender of last resort. 4
20. What is Investment Multiplier? Show how it works with the help of a numerical example. 4

OR

With the help of a numerical example, show that APC decreases with increase in income.

21. Calculate MPC from the following data about an economy which is in equilibrium. 4
- National income = 800  
Autonomous consumption expenditure = 100  
Investment expenditure = 100
22. Explain the determination of equilibrium level of national income using aggregate demand and aggregate supply approach. Use diagram. 6

23. Suppose a ban is imposed on consumption of cigarettes in the country. Examine its effects on GDP and Welfare.

6

OR

How do the externalities affect the welfare of the people? Explain by taking an example.

24. Calculate 'National Income' from the following data :

6

₹ in Crore

i. Private final consumption expenditure.....	900
ii. Profit .....	100
iii. Government final consumption expenditure ....	400
iv. Net indirect taxes .....	100
v. Gross domestic capital formation .....	250
vi. Change in stock .....	50
vii. Net factor income from abroad .....	(-)40
viii. Consumption of fixed capital .....	20
ix. Net imports .....	30

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