FIRST TERM EXAMINATION, 2011–2012

ECONOMICS

Time Allowed : 3 hrs.   CLASS-XII   M.M. : 100

General Instructions:
• All questions are compulsory.
• Q. nos. 1-10 are very short answer type questions, carrying 1 mark each.
• Q. nos. 11-20 are short answer type questions, carrying 3 marks each. Their word limit is 60-70 words.
• Q. nos. 21-26 are short answer type questions, carrying 4 marks each. Their word limit is 70-80 words.
• Q. nos. 27-32 are long answer type questions, carrying 6 marks each. Their word limit is 100-110 words.

1. Give two examples of micro economic theory. (1)
2. What is the effect of decrease in income of the consumer on the budget line? (1)
3. What happens to total expenditure on a commodity, when its price falls and its demand is price elastic? (1)
4. What is meant by cost in economics? (1)
5. Define market demand. (1)
6. Define marginal product. (1)
7. What happens to equilibrium price and quantity of a commodity, if there is proportionate increase in its demand and decrease in its supply? (1)
8. State one characteristic of oligopoly. (1)
9. How are product differentiated from one another in monopolistic market? (1)
10. Give two examples of transfer income. (1)
11. Explain marginal rate of substitution with the help of a schedule. (3)
12. Explain how a PPC is affected when resources are inefficiently employed in an economy. Use diagram. (3)

OR

"An economy always produces on but not inside the PPC". Discuss.

13. How does change in the income of a consumer affect the demand for a commodity? (3)

14. Price elasticity of a good is (−)2. At a given price the consumer buys 80 units of the good. How many units will the consumer purchase, if the price falls 20%? (3)
15. Complete the table:

<table>
<thead>
<tr>
<th>Output (Units)</th>
<th>Total Revenue (Rs.)</th>
<th>Marginal Revenue (Rs.)</th>
<th>Average Revenue (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>12</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

16. How do marginal revenue behave for a non-competitive firm when ................................ (3)
   (1) When total revenue rises at increasing rate.
   (2) Total revenue is falling.
   (3) Total revenue reaches maximum and becomes constant.

17. How does an increase in the rate of excise duty shifts the supply curve? Why? (3)

18. Find the maximum profit position from the following data, using the marginal cost and marginal revenues—give reasons. (3)

<table>
<thead>
<tr>
<th>Output (units)</th>
<th>Marginal revenue</th>
<th>Marginal cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>4</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>5</td>
<td>6</td>
<td>8</td>
</tr>
</tbody>
</table>

19. Using demand and supply curves, show how an increase in price of shoes affect the price of socks and number of socks bought and sold. (3)

20. From the following data about a firm 'Y', calculate net value added at market price by it: (3)

(in 'thousands')

1. Sales 300
2. Net Indirect taxes 30
3. Purchase of intermediate products 150
4. Depreciation 20
5. Change in stock (-) 10
6. Purchase of machinery 100

21. Distinguish between 'change in demand and change in quality demanded'. (4)

22. What is the relation between good X and good Y in each case, if with the fall in the price of X demanded for good Y (I) increases (II) falls? Give reasons to support your answer. (4)
23. Is the price elasticity of demand equals on all points of a straight line demand curve? Give reasons.  

OR  

If the price of salt and coffee increase by the same proportion, will the quantity demanded also behave in the same manner? Why?  

24. Give reasons to support your answer—  
(1) Increase in the variable factor always cause the total product to rise.  
(2) Second phase of law of variable proportion is relevant for the firm which aims at maximum efficiency or profit.  

25. When P<AC a competitive firm will not stop production in short run, but when P<AVC the firm will certainly stop production. Why? Explain using diagram.  


27. Given the market price of a good, how does a consumer decide as to how many units of that good to buy? Explain using numerical example.  

28. Giving reasons state whether the following statements are true or false:  
(1) When total revenue is maximum, marginal revenue is also maximum.  
(2) Average cost falls only when marginal cost falls.  
(3) As output is increased the difference between ATC and AVC falls and ultimately becomes zero.  

OR  

(1) What does AFC curve look like? Why does it look so?  
(2) What is the relation between total fixed cost and units of output produced?  
(3) Can there be some fixed cost in the long-run? If not why?  

29. How is a seller under perfect competition a price taker not price maker? What is the relevance of the characteristic that there are "large number of sellers" in this context.  

30. What is the impact of an increase in the demand for a commodity on its price when its supply is:  
(i) Perfectly elastic.  
(ii) Perfectly inelastic. Use diagram to explain.  

31. How will you treat the following while estimating national income of India:  
(1) Dividend received by an Indian from his investment in shares of a foreign company.  
(2) Money received by a family in India from relatives working abroad.  
(3) Money received on loan given to a friend for purchasing a car.
32. From the following data, calculate (a) Gross Domestic Product, (b) Factor income to abroad.

<table>
<thead>
<tr>
<th>Item</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Compensation of employees</td>
<td>800</td>
</tr>
<tr>
<td>2. Profits</td>
<td>200</td>
</tr>
<tr>
<td>3. Dividend</td>
<td>50</td>
</tr>
<tr>
<td>4. Gross national product at market price</td>
<td>1,400</td>
</tr>
<tr>
<td>5. Rent</td>
<td>150</td>
</tr>
<tr>
<td>6. Interest</td>
<td>100</td>
</tr>
<tr>
<td>7. Gross domestic capital formation</td>
<td>300</td>
</tr>
<tr>
<td>8. Net fixed capital formation</td>
<td>200</td>
</tr>
<tr>
<td>9. Change in stock</td>
<td>50</td>
</tr>
<tr>
<td>10. Factor income from abroad</td>
<td>60</td>
</tr>
<tr>
<td>11. Net indirect taxes</td>
<td>120</td>
</tr>
</tbody>
</table>