

# FIRST TERMINAL EXAMINATION, 2016

## ECONOMICS

Time : 3 hrs.

Class XII

M.M. : 100

Date – 16.09.2016

### General Instructions:

- All questions in both the sections are compulsory.
- Marks have been indicated against each question.
- Question nos. 1 - 5 and 16 - 20 are **very short answer questions** carrying 1 mark each. They are to be answered in **one sentence** each.
- Question nos. 6 - 8 and 21 - 23 are **short answer questions** carrying 3 marks each. Answers to them should normally not exceed **60 words** each.
- Question nos. 9 - 11 and 24 - 26 are also **short answer questions** carrying 4 marks each. Answers to them should normally not exceed **70 words** each.
- Question nos. 12 - 15 and 27 - 30 are **long answer questions** carrying 6 marks each. Answers to them should normally not exceed **100 words** each.
- Answers should be brief and to the point and the above word limits should be adhered to as far as possible.

### SECTION - A

- Q.1** A country's resources are fully and efficiently employed. The problem of scarcity exists. What advice will be given to raise the efficiency level of the human resources to fight scarcity? (1)
- Q.2** In perfect competition, as the firm is a price taker, the \_\_\_\_\_ curve is a horizontal straight line. (1)
- a) Marginal Cost                      b) Total Cost  
c) Total Revenue                      d) Marginal Revenue
- Q.3** State the law of diminishing marginal utility. (1)
- Q.4** If the firms are earning supernormal profits, how will the number of firms in the industry change? (1)
- Q.5** The vision of 'digital India' a scheme launched by the government of India, aims to transform the country into a digitally empowered society and knowledge economy. How will the Production Possibility Curve be affected by the launch of this program? (1)
- Q.6** Why is an indifference curve downward sloping and convex to origin? Explain. (3)

**OR**

Define Budget Line. What do intercepts of budget line indicate?

- Q.7** Complete the table : (3)

Output (Units)	Average Fixed Cost (Rs.)	Marginal Cost (Rs.)	Total Cost (Rs.)
1	_____	_____	72
2	30	10	82
3	20	8	_____
4	_____	_____	99
5	12	10	_____

- Q.8** State giving reasons, whether the following statements are true or false: (3)
- a) As output is increased, the difference between Average Total Cost and Average Variable Cost falls and ultimately becomes zero.
- b) Marginal Revenue is always the price at which the last unit of the commodity is sold.
- c) When Marginal Revenue is positive and constant, both Average Revenue and Total Revenue will increase at constant rate.
- Q.9** Using diagrams, explain any four degrees of Price elasticity of Supply. (4)
- Q.10** Explain the concept of Production Possibility Curve with the help of hypothetical table. (4)

**OR**

What does a Production Possibility Curve show? When will it shift to the right?

- Q.11** Explain the implications of the following : (4)
- Homogeneous products under Perfect Competition.
  - Interdependence between firms under Oligopoly.
- Q.12** A consumer consumes only two goods. For the consumer to be in equilibrium, why must Marginal Rate of Substitution between the two goods be equal to the ratio of prices of these two goods? Is it enough to ensure equilibrium? (6)

**OR**

Explain the conditions of consumer's equilibrium with the help of Utility analysis.

- Q.13** Explain any four features of monopolistically competitive market. (6)
- Q.14** Explain any four factors causing 'increase' in Supply. (6)
- Q.15** Explain the impact of the following changes on the demand curve of : (6)
- Cars when there is an increase in the price of petrol.
  - Bread with increase in its price.
  - Coarse grain for a poor person when income of such person rises.
  - Cement if its price is expected to rise in near future.

### **SECTION - B**

- Q.16** What does point of inflexion on TP curve indicate? (1)
- Q.17** Indian railway is an example of state monopoly. Explain how state monopoly has benefitted the people ? (1)
- Q.18** State two characteristics of the economic resources which give rise to economic problems. (1)
- Q.19** Suppose the demand and supply curves of a commodity 'X' in a perfectly competitive market are given by :  $Q_d = 700 - p$  and  $Q_s = 500 + 3p$ . Find the equilibrium price and quantity. (1)
- Q.20** Name the economic value achievable when attempts are made to increase resources in the country. (1)
- Q.21** When price of a good is Rs.7 per unit, a consumer buys 12 units. When price falls to Rs.6 per unit, he spends Rs.72 on the good. Calculate Price Elasticity of Demand by using percentage method. Comment on the likely shape of demand curve based on this measure of elasticity. (3)

**OR**

When price of a commodity falls by Rs.1 per unit, its quantity demanded rises by 3 units. Its price elasticity of demand is (-2). Calculate its quantity demanded if the price before the change was Rs. 10 per unit.

- Q.22** Explain the relationship between Average Cost and Marginal cost. (3)
- Q.23** How does TU change with the change in MU of a commodity? (3)
- Q.24** Explain the central problem of 'What to produce'. (4)

**OR**

Explain the central problem of 'For whom to produce'.

- Q.25** Explain any four factors affecting elasticity of demand. (4)
- Q.26** Briefly discuss the four main features of Monopoly market. (4)
- Q.27** What is the likely behaviour of total product when only one factor is increased keeping others constant for increasing production. (6)
- Q.28** Why is there an inverse relationship between the price of a commodity and its quantity demanded? (6)

**OR**

Explain the concept of Marginal Rate of Substitution with the help of schedule and diagram. Give reasons behind diminishing  $MRS_{xy}$ .

- Q.29** Explain the chain effects, if the prevailing market price is below the equilibrium price. (6)
- Q.30** Explain the conditions of equilibrium of a firm based on marginal cost and marginal revenue. Use diagram. (6)

