ST. XAVIER'S SENIOR SECONDARY SCHOOL, DELHI – 110 054

Std. 12 Time : 3 hrs.

8-9-2014 Half Yearly Examination in **ECONOMICS (Set - II)** M. Marks : 100

General instructions:

1. Question nos. 1 - 7 and 24 are MCQs of 1 mark each. Write the correct option on your answer sheet.
2. Question nos. 8 - 12 and 25 - 27 are short answer questions of 3 marks each. Answers to them should not normally exceed 60 words each.
3. Question nos. 13 - 16 and 28 are also short answer questions of 4 marks each. Answers to them should not normally exceed 70 words each.
4. Question nos. 17 - 23 and 29 are long answer questions of 6 marks each. Answers to them should not normally exceed 100 words each.

Section – A (Introductory Microeconomics)

1. A rise in income of the consumer leads to a rise in the demand for a good. The good is (1)
   a) Complementary good b) Normal good
   c) Substitute good d) Inferior good

2. In the short run, when a firm produces zero level of output, its total fixed cost is equal to (1)
   a) Zero b) total Variable cost
   c) Marginal cost d) total cost

3. Slope of the budget line is (1)
   a) $p_x \cdot p_y$ b) MRS c) p_x/p_y
   d) p_y/p_x , where Y is the good gained and X is the good sacrificed.

4. There is loss of life and property due to massive floods. How will it affect the country's PPC? (1)
   a) PPC shifts to the left b) PPC shifts to the right
   c) The economy operates inside the PPC d) PPC will not be affected

5. A rational producer would like to operate in a stage where (1)
   a) MP increases b) MP falls but is positive
   c) MP is negative d) None of these

6. For a firm in a perfectly competitive market, price would be equivalent to (1)
   a) Revenue obtained from the last unit of output sold
   b) Revenue obtained from a unit of output sold
   c) Both a) and b) d) None of the above

7. At a particular level of output, a producer in a perfectly competitive market finds that MC is less than MR. What will the producer do to maximise his profits? (1)
   a) Decrease the production b) Increase the production
   c) Make no change in the output produced d) None of these

8. Given the market price of a good, how does a consumer decide as to how many units of that good to buy? Explain using schedule. (3)

9. Explain the central problem of 'for whom to produce' with the help of an example.
   (OR)
   Describe the features of a normal PPC. (3)

10 The equilibrium price of a health friendly product is very high. What can be done to bring the equilibrium price down? Use diagram. (3)

11. Differentiate between Perfect and Imperfect oligopoly. (3)

12. Compare the demand curve faced by firms under perfect competition, monopoly and monopolistic competition giving reasons. (3)

13. What is meant by 'cost' in economics? (4)

14. Price elasticity of demand of a good is (-1). The consumer buys 50 units of that good when the price is Rs. 4/- per unit. How many units will the consumer buy if the price falls to Rs. 2/- per unit? Use total expenditure method of measuring price elasticity of demand. (4)

15. Explain 'free entry and exit of firms' feature of perfect competition.
    (OR)
    Explain the implication of 'large number of sellers' and 'perfect knowledge' in perfect competition. (4)

16. State and explain any four determinants that will decrease the market demand for a good. (4)

17. Explain how a consumer attains equilibrium in case of two commodities under utility analysis. (6)

18. Using numerical examples show that the effect of a decrease in price on total expenditure depends on the value of price elasticity of demand.

(OR)

State and explain any four factors affecting price elasticity of demand. (6)

19. Draw a PPC and show the following situations giving reasons: (6)
a) Growth of resources b) Full employment of resources
c) Under utilisation of resources

20. a) A firm supplied 500 units of a good at a price of Rs. 5/- per unit. The price elasticity if supply is 2. At what price will the firm supply 300 units?
b) From the following information about a firm, find the firm's equilibrium output in terms of MR and MC. Give reasons. (3+3)

Output:	1	2	3	4	5	6
TR:	6	12	18	24	30	36
TC:	7	13	15	19	25	33

21. Explain the effect on TP and MP when only one input is increased and all other inputs are held constant. Use diagram. (6)

22. a) Explain the relationship between average cost and marginal cost with the help of a diagram.
b) Distinguish between fixed cost and variable cost giving examples. (4+2)

23. Government reduces the income tax rate. How will this affect the equilibrium price and quantity of a normal good if there is a simultaneous increase in the number of firms producing this good. Use diagram to explain. (6)

Section - B (Introductory Macroeconomics)

24. Identify the stock variable
a) expenditure b) capital c) income d) changes in stock (1)

25. Categorise the following into intermediate and final goods giving reasons: (3)
a) Chalks bought by a school b) A laptop purchased by a household.
c) Sugar purchased by a tea stall.

26. Calculate intermediate consumption from the following data: (3)

Items	Rs in Lakhs
NVA_{fc}	400
Sales	700
Indirect Tax	20
Depreciation	30
Changes in stock	(-) 50

27. Explain the circular flow of income in a two sector economy. (3)

28. On the basis of the following data about an economy which consists of only two firms, find out:
a) Value added by firms X and Y b) GDP_{fc} (4)

Items	Rs in Lakhs
Purchases from Y by X	220
Sales by X	400
Purchases from X by Y	280
Sales by Y	700
Closing stock of X	60
Closing stock of Y	105
Opening stock of X	75
Export by X	25
Opening stock of Y	135
Indirect taxes by both firms	90
Import of machines by Y	20

29. How are the following treated while estimating the Domestic Income of an economy? Justify giving reasons. (6)
a) Salary paid to an Indian working in the American embassy in India.
b) Remittances received from a non-resident located abroad.
c) Profits earned by a branch of SBI in Paris.

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