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

Std. 12 Time : 3 hrs.

8-9-2014 Half Yearly Examination in **ECONOMICS (Set - I)** 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. There is loss of life and property due to a severe earthquake. 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

2. 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 X is the good gained and Y is the good sacrificed.

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

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

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

6. 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) Increase the production b) Decrease the production
   c) Make no change in the output produced d) None of these

7. A rational producer would like to operate in a stage where (1)
   a) TP increases at an increasing rate b) TP falls
   c) TP increases at a decreasing rate d) None of these

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

9. 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)

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

11. The equilibrium price of an exhaustible fuel is very high. What can be done to bring the equilibrium price down? Use diagram. (3)

12. Differentiate between Collusive and Non-Collusive oligopoly. (3)

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

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

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

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

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

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

19. Using numerical examples show that the effect of an increase 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)

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

21. 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 700 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
TR:	6	12	18	24	30
TC:	7	13	16	22	29

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

23. 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)

Section - B (Introductory Macroeconomics)

24. Identify the stock variable (1)

a) savings b) wealth c) income d) capital formation

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

26. Categorise the following into intermediate and final goods giving reasons:

a) A new car purchased by a taxi driver.

b) Wheat purchased by a household.

c) Chemicals bought by a school to be used in its lab. (3)

27. Calculate sales from the following data: (3)

Items	Rs. in Lakhs
NVA_{fc}	300
Intermediate Consumption	200
Indirect Tax	20
Depreciation	30
Changes in stock	(-) 50

28. On the basis of the following data about an economy which consists of only two firms, find out:

a) Value added by firms A and B

b) GDP_{fc} (4)

Items	Rs. in Lakhs
Purchases from B by A	120
Sales by A	300
Purchases from A by B	180
Sales by B	600
Closing stock of A	60
Closing stock of B	105
Opening stock of A	75
Opening stock of B	135
Export by B	25
Indirect taxes by both firms	90
Import of machines by B	20

29. How are the following treated while estimating the Domestic Income of an economy? Justify giving reasons.

a) Profits earned by a branch of SBI in London.

b) Salary paid to an American working in the Indian embassy in America.

c) Remittances received from a relative located abroad. (6)

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