Name _Ananya_ **Class & Section** _XII-D_ **Roll No.** _3_

FIRST TERM EXAMINATION—2017-18

CLASS–XII
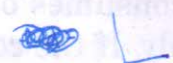## SUBJECT–ECONOMICS

Time : 3 Hours   **M.M. : 100**

General Instructions :

1. Diagram is not required for one mark questions unless asked specifically.
2. Three marks qusetions should be answered in 70-80 words.
3. Four marks questions to be answered in 80-100 words.
4. For numerical questions, marks will be deducted if formulae are not written.
5. All questions are compulsory.
6. Do not use short forms in answers.

Micro Economics (50 marks)

1. When is a firm called 'price taker' ?   (1)

2. Define Budget Set.   (1)

3. Draw general diagram to show–
   (i) Perfectly elastic supply
   (ii) Inelastic supply   (1)

4. What is meant by MRS ?   (1)

5. What do you mean by increase in supply ?   (1)

6. Define implicit cost. Give two examples.   (1)

7. (a) If the firms are earning super normal profits, how will the numbers of firms in the industry change in perfect competition and why ?

   (b) Government promotes the use of capital intensive technique of production for increasing the quality of products, but the economy is already facing the problem of unemployment. Explain with the help of PPC.

   (c) Distinguish between Normative and Positive Economics.   (1+1+1=3)

8. (a) Why does the problem of choice arise ?

(b) Explain the effect of change in number of consumers on market demand of a commodity. (1+2=3)

9. Explain relationship between short run MC, AVC and AC with the help of diagram. (3)

10. Complete the following table :

Output	TVC	AVC	MC
1	___	12	___
2	20	___	___
___	___	10	10
4	40	___	___

(3)

11. (a) Define inferior goods.

(b) Distinguish between expansion and increase in demand. (1+3=4)

12. Why is the equality between MC and MR necessary for a firm to be in equilibrium ? Is it sufficient to ensure equilibrium ? Explain. (4)

13. (a) State the meaning of Returns to factor.

(b) Define Oligopoly. Explain any two features of oligopoly.

(c) What do you mean by minimum support price ? State any two implications ? (1+3+2=6)

14. (a) A consumer consumes only two goods X and Y, whose prices are ₹ 2 and ₹ 1 respectively. If the consumer chooses a combination of two goods with MU of good X being 4 and that of good Y also being 4, is the consumer in equilibrium ? Give reasons. Explain what will a rational consumer do in this situation ? (3+3=6)

(b) Explain any two determinants of elasticity of demand with example.

15. (a) Market for good X say Maruti's Alto is in equilibrium. Suppose price of good Y say Hyundai's Eon falls. Explain its chain effect on equilibrium price and quantity of good X.

(b) Suppose E_D for good is (−) 0.2. If there is 5% increase in price of good, by what percentage will the demand for the good go down ? (4+2=6)

16. (a) What is PPF ? Why does it slope downward ?

(b) Monopolistic competition includes the elements of both Monopoly as well as Perfect Competition. Explain how ? (2+4=6)

Macro Economics (50 marks)

17. State the components of money supply. *coins & currency with comm. Banks* (1)

18. Which of the following is indirect tax and why ?

    (a) Custom duty   (b) Corporation tax

    (c) Income tax   (d) Property tax (1)

19. Suppose Nominal Income be ₹ 375 and Price Index is 125, calculate Real Income. (1)

20. Calculate sales :

Items	₹ in lakh
(i) NVA_{FC}	560
(ii) Depreciation	60
(iii) Indirect taxes	60
(iv) Change in stock	(−) 30
(v) Intermediate cost	1000
(vi) Exports	200 (3)

21. Distinguish between Revenue expenditure and Capital expenditure in government budget. Give two examples of each. (3)

22. There is wide gap between rich and poor in our country. How can the government budget be used as an instrument to reduce this gap ? (3)

23. Explain 'Banker to the Government' as an important function of Central Bank. (3)

24. "India needs growth which in turn requires investment." Elaborate in this context how RBI can use the instruments of CRR and Repo rate ? (3)

25. (a) Distinguish between Real and Nominal GDP. Which of the two is a better index of welfare of the people and why ?

    (b) Define stock variables. Give two examples. *wealth* (3+1=4)

26. (a) Government increases expenditure to popularize yoga among the masses. Analyse its impact on GDP and welfare of people.

    (b) Define circular flow of income. (3+1=4)

27. (a) Distinguish between Commercial Banks and Central Bank. (3+3=6)

(b) Define Budget Deficit. How can deficit in budget be financed ? Explain.

28. (a) State three sources each of revenue receipts and capital receipts in government budget.

(b) Calculate NNP_{FC} and GDP_{MP} :

Items	₹ in crores
(i) Net exports	(−) 300
(ii) Compensation of employees	6000
(iii) Rent	400
(iv) Dividend	200
(v) Consumption of fixed capital	300
(vi) Change in stock	50
(vii) Profits	800
(viii) Net factors income from abroad	(−) 80
(ix) Net indirect tax	600
(x) Interest	500 (3+3=6)

29. (a) Explain the process of credit creation by commercial banks with the help of a numerical example.

(b) Give reasons, explain how should the following be treated in estimating GDP_{MP} :

(i) Fee to a mechanic paid by a firm.

(ii) Expenditure on purchasing a car for use by a firm.   (4+2=6)

30. (a) Define capital goods. State two examples.

(b) What do you mean by demand deposits ?

(c) Calculate NI and Net exports from the following data :   (1+1+4=6)

Items	₹ (in crores)
(i) NDP_{FC}	2300
(ii) Consumption of fixed capital	100
(iii) Net indirect taxes	300
(iv) Private final consumption expenditure	1200
(v) Govt. final consumption expenditure	600
(vi) Gross capital formation	400
(vii) Net factor income to abroad	(−) 100

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