Std. 12 Time : 3 hrs.

16-9-2015 Half Yearly Examination in ECONOMICS (Set – 1) M. Marks : 100

General Instructions:

1. Question nos. 1 - 8 and 25 - 26 are of 1 mark each. Write the correct option of the MCQs on your answer sheet or answer in a sentence each.
2. Question nos. 9 - 12 and 27 - 28 are short answer questions of 3 marks each. Answers to them should not normally exceed 60 words each.
3. Question nos. 13 - 16 and 29 - 30 are also short answer questions of 4 marks each. Answers to them should not normally exceed 70 words each.
4. Question nos. 17 - 24 are long answer questions of 6 marks each. Answers to them should not normally exceed 100 words each.

Section – A (Introductory Microeconomics)

1. Massive unemployment results in: (1)
   a) Leftward shift of PPC b) Rightward shift of PPC
   c) Economy operates inside the PPC d) Economy operates on the PPC

2. Slope of the budget line changes when: (1)
   a) Income of the consumer increases b) Price of one commodity increases
   c) Income of the consumer decreases d) both (a) and (b)

3. If a rise in price of a good leads to fall in the expenditure on it, demand is said to be: (1)
   a) elastic b) inelastic
   c) unit elastic d) perfectly inelastic

4. In the short run, the sum of MC gives: (1)
   a) Total cost b) Total variable cost
   c) Average cost d) Average variable cost

5. A maximum price ceiling fixed above the equilibrium price results in: (1)
   a) Excess demand b) Excess supply
   c) either (a) or (b) d) neither (a) nor (b)

6. At a particular level of output, a rational producer in a perfectly competitive market finds that MC is equal to MR. What will be the producer's reaction? (1)
   a) Decrease the production if MC > MR after this level of output.
   b) Increase the production if MC > MR after this level of output.
   c) Make no change in the output produced if MC > MR after this level of output.
   d) None of these.

7. Which of the following statements is true: (1)
   a) TP rises only when MP rises. b) MP=AP, when MP is maximum
   c) TP falls even when MP is positive
   d) AP is maximum when TP increases at decreasing rate.

8. Which one of these is not an assumption of PPC? (1)
   a) Resources are fully and efficiently employed.
   b) Technology remains constant.

c) Resources are fixed in supply.
d) Resources are equally efficient in the production of both the goods.

9. Explain the central problem related to distribution of final product.

(OR)

Draw a PPC and depict the problems of under utilisation of resources and growth of resources. (3)

10. Why does the demand curve for a normal good slope downwards? Explain using a schedule. (3)

11. What is the implication of free entry and exit of firms under perfect competition? (3)

12. Government reduces the income tax rates. What will be the impact of such a policy change on the equilibrium price and quantity of a normal good? Use diagram. (3)

13. State and explain any four factors affecting price elasticity of demand. (4)

14. Describe the nature of total variable cost curve. Use diagram. (4)

15. A consumer spends Rs. 2000/- on a commodity when its price is Rs.10/- unit. Use percentage change method to find the elasticity of demand when a 20 percent rise in price makes the consumer spend Rs. 400/- more on it. Comment on the likely shape of the demand curve. (4)

16. Explain 'differentiated products' and 'non-price competition' as seen in monopolistic competition.

(OR)

Explain the implication of 'homogeneous products' and 'perfect knowledge' in perfect competition. (4)

17. Make a PPS and explain the features of a normal PPC. What will be the impact of a 'make in India' campaign on India's PPC? (4+2)

18. A consumer consumes only two goods-A and B and is in equilibrium. The government gives an option to stop availing a subsidy for good–B, which this consumer accepts. What will be the impact on his equilibrium? Explain using cardinal utility approach. (6)

19. 'The value of price elasticity of demand remains the same throughout a downward sloping straight line demand curve.' Refute or defend with reasons. (6)

20. How are returns to scale different from returns to a factor? Explain any four factors that result in economies of scale.

(OR)

Use numericals to explain the different types of returns to scale. (6)

21. From the given information, find the firm's equilibrium output in terms of MR and MC. Give reasons to support your answer and find the profit at that level. (4+2)

Output	1	2	3	4	5
AR	12	11	10	9	8

TC	7	13	16	22	29

22. Unseasonal rains damage apple orchards in Himachal Pradesh. Bumper harvests of oranges make oranges relatively cheaper. Discuss the impact of these developments on the equilibrium price and quantity of apples. (6)

23. Giving reasons state whether the following are true or false: (6)
   a) When the equilibrium price is higher than the market price, there will be competition among producers.
   b) A monopolist can decide to sell any amount at the price he chooses.
   c) The demand curve faced by a monopolistic firm is more elastic than that faced by a monopoly.

24. a) Complete the following table: (3+3)

OUTPUT (Units)	Average Cost (Rs)	Marginal Cost (Rs)
1	12	-
2	10	-
3	-	10
4	10.5	-
5	11	-
6	-	17

It is given that the average fixed cost of producing 4 units of output is Rs. 2/-.
b) When the price of a product was Rs. 8/- unit, the total revenue was Rs. 480/. Total revenue increases by Rs. 240/- when the price rises by 25%. calculate the price elasticity of supply.

Section - B (Introductory Macroeconomics)

25. Define capital goods. (1)

26. Can domestic product be greater than national product? Give reason for your answw(1)

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

28. Calculate depreciation from the following data: (3)

Items	Rs. in Lakhs
NVA_{fc}	200
Intermediate Consumption	100
Indirect Tax	30
Sales	600
Subsidy	10
Changes in Stock	(-) 50

29. On the basis of the following data about an economy which consists of only

two firms, find out: (4)

a) Value added by firms Y and Z.

b) GDP_{fc}

Items	Rs. in Lakhs
Purchases from Z by Y	140
Sales by Y	320
Purchases from Y by Z	200
Sales by Z	620
Closing stock of Y	80
Closing stock of Z	125
Opening stock of Y	95
Opening stock of Z	155
Subsidy given to both firms	10
Export by Z	75
Value added tax by both firms	110
Import of vehicles by Y	30

30. Giving reasons state whether the following are true or false: (4)

a) A sewing machine is always a final good.

b) Profits earned by a branch of SBI in Tokyo is included in national income of India.

c) Salary paid to an Indian working in the Indian embassy in America is a part of domestic income of America.

d) Remittances received from a relative located abroad are factor income from abroad.

-x-x-x-x-x-x-x-