

MID-TERM EXAMINATION 2011  
Economics (Micro Economics)  
XII

Time: 1.30 hr

M.M:50

**General Instruction:**

- i) All questions are compulsory.
- ii) Marks for questions are indicated against each.
- iii) Questions Nos 1 to 5 are very short answer questions carrying one mark each. They are required to be answered in one sentence each.
- iv) Questions Nos 6 to 10 are short answer questions carrying three marks each. Answer to them should not normally exceed 60 words each.
- v) Questions Nos 11 to 13 is also short answer questions carrying four marks each. Answer to them Should not normally exceed 70 words each
- vi) Questions Nos 14 to 16 is long answer questions carrying six marks each. Answer to them should not normally exceed 100 words each.
- vii) Answers should be brief and to the point and the above word limit be adhered to as far as possible.

1. What gives rise to an economic problem?
2. Define .change in demand.
3. A rise in the price of a good results in an increase in expenditure on it. Is its Demand elastic or inelastic?
4. When AP falls, what is the relation between AP and MP?
5. Define saturation point.
6. Distinguish between micro and macro economics.
7. How does the nature of a commodity influence its price elasticity of demand?
8. Calculate the price elasticity of demand for a commodity when its price increases by 25% and quantity demanded falls from 150 units to 120 units.
9. Explain the 'law of demand' with the help of a demand schedule.
10. State the causes of shift in a demand.
11. Draw a PPC and show the following situations on the diagram.
  - a. Full employment of resources
  - b. Under utilization of resources
  - c. Economic growth.
12. Explain the reasons for: (i) increasing returns to a factor and (ii) increasing returns to scale.
13. A consumer buys 100 units of a good at a price of Rs. 5 per unit. When price changes he buys 140 units. What is the new price if price elasticity of demand is - 2? or  
When price of a good falls from Rs. 5 to Rs. 3 per unit, its demand rises by 40 percent calculate its price elasticity of demand.
14. What is consumer's equilibrium? Explain the conditions of consumer's equilibrium assuming that the consumer consumes only two goods. or  
Why is the consumer in equilibrium when he buys only that combination of the two goods that is shown at the point of tangency of the budget line with an indifference curve? Explain.
15. Distinguish between an inferior good and a normal good. Explain the effect of Change in income on each giving suitable examples.
16. Explain the likely behavior of Total Product and Marginal Product when for increasing production only one input is increased while all other inputs are kept constant.

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