THE GURUKUL INSTITUTE

PLOT 5C, 2ND FLOOR, GANAPATI COMPLEX, SEC-13, OPP. JAIPURIA SCHOOL, VASUNDHARA, GHAZIABAD (U.P)

Class – XII

ECONOMICS TEST

Time allowed : 3 hours *Maximum Marks: 100.*

Section A (70 Marks)

1. Answer the following questions:

(i) Why does an economic problem arise?

(ii) Define opportunity cost.

(iii) What does a rightward shift of production possibility curve indicate?

(iv) Define indifference curve. **(1x4)**

2. Explain the effect of increase in income of the consumer on the demand for a good. **3**

3. State three causes of increase in supply. **3**

4. What will be the effect on PPC when resources remains constant for both good X and good Y and technology improves only for good Y? **3**

5. Explain the Geometric Method of measuring elasticity of demand. **3**

6. Explain the relation between marginal cost and average cost. **3**

7. Explain producer's equilibrium with the help of a diagram. **3**

8. A consumer buys 40 units of a good at a price of Rs. 3 per unit. When price rises to Rs. 4 per unit he buys 30 units. Calculate price elasticity of demand by the total expenditure method.

OR

A consumer buys 80 units of a good at a price of Rs. 5 per unit. Suppose price elasticity of demand is (-)2. At what price will he buy 64 units ? **4**

9. Give meaning of:

(i) production function

(ii) Supply

(iii) revenue, and

(iv) cost **4**

10. Calculate 'total variable cost' and 'total cost' from the following cost schedule of a firm whose fixed costs are Rs. 10. **4**

Output (units) :	1	2	3	4
Marginal cost (Rs.) :	6	5	4	6

11. At a given price there is excess demand for a good. Explain how the equilibrium price will be reached. Use diagram. **4**

12. Explain the conditions leading to profit maximization by a producer. Use total cost and total revenue approach. **4**

13. Complete the following table: **4**

Output (Units)	TVC (Rs.)	AVC (Rs.)	MC (Rs.)
1	--	15	--
2	--	--	26
3	11	--	--
2	--	3	--

14. Distinguish between:(a) Individual demand and market demand.

(b) ‘Change in demand’ and ‘change in quantity demanded **6**

15. State the phases of the law of variable proportions in terms of total physical product. Use diagram. 6

16. Explain consumer’s equilibrium in case of single commodity, with the help of a utility schedule. **6**

17. Explain the following features of perfect competition: **6**

(i) Large number of buyers and sellers
(ii) Homogeneous products

OR

Explain the following :
(i) ‘Free entry and exit’ feature of perfect competition,
(ii) ‘Differentiated products’ feature of monopolistic competition.

<u>Section – B</u>

1. Give two examples of a macro economics variable. 1
2. Define government budget. 1
3. Define flexible exchange rate. 1
4. State any two major sectors in a circular flow of income. 1
5. What do you mean by fiscal deficit? 1
6. What is a saving function? Derive the saving function from the following consumption function. $C = a + bY$. 3
7. When does situation of excess demand and deficient demand arise in an economy? What is the effect on output, price and employment under both the situations? 3
8. Distinguish between revenue expenditure and capital expenditure in government budget. Give two examples of each. 3
9. Explain the concept of ‘leakages and injections in the circular flow of income. 3
10. Distinguish between direct and indirect taxes. Give two examples of each. 3
11. Enumerate the principal functions of a central bank. 4
12. Differentiate between commercial bank and central bank. 4
13. State the main components of balance of payments on capital account. 4
14. Explain how the aggregate demand and aggregate supply can be in equilibrium at less than full employment. 6
15. What do you mean by investment multiplier? Illustrate graphically. 6
16. Calculate Gross National Disposable Income and Personal Income from the given data: 6

	(Rs crores)
(i) Personal tax	120
(ii) Net indirect tax	100
(iii) Corporation tax	90
(iv) National income	1000
(v) Net factor income from abroad	5
(vi) Consumption of fixed capital	50
(vii) National debt interest	70
(viii) Retained earnings of private corporate sector	40
(ix) Net current transfers to the rest of the world	(-)20
(x) Current transfers from government	30
(xi) Share of government in national income	80