

INTERNATIONAL INDIAN SCHOOL, RIYADH  
FIRST TERM EXAMINATION, 2015  
CLASS : XII- ECONOMICS

SET - A

Time Allowed: 3 hours

Maximum Marks: 100

**General Instructions:**

- (i) All questions in both sections are compulsory
- (ii) Marks for questions are indicated against each.
- (iii) Question nos. 1 - 5 and 17 - 19 are very short (MCQ) answer questions carrying 1 mark each. Select the Correct Answer.
- (iv) Question nos. 6 - 10 and 20 - 22 are short - answer questions carrying 3 marks each. Answers to them should normally not exceed 60 words each.
- (v) Question nos. 11-13 and 23 & 24 are also short - answer questions carrying 4 marks each. Answers to them should normally not exceed 70 words each.
- (vi) Question nos. 14 - 16 and 25 - 29 are also long - answer questions carrying 6 marks each. Answers to them should normally not exceed 100 words each.
- (vii) Answers should be brief and to the point and the above word limits should be adhered to as far as possible.

SECTION – A

1. The opportunity cost of watching a movie will be equal to: (1)  
a) The time lost while watching the show    b) The pleasure that could have been enjoyed watching TV instead    c) The pleasure enjoyed by watching the show    d) The amount paid to buy the ticket.
2. In economics the Central Problem is: (1)  
a) Scarcity    b) Consumption    c) Money making    d) Exchange
3. Additional utility derived from the consumption of an additional unit of a commodity is called: (1)  
a) Average Utility    b) Total Utility    c) Marginal Utility    d) None of the above
4. Demand for water is inelastic because: (1)  
a) It is abundant    b) It is necessary    c) Its use can be postponed    d) None
5. Slope of budget line is: (1)  
a)  $P_x/P_y$     b)  $P_y/P_x$     c)  $P_x.P_y$     d) MRS
6. Why is a Production Possibility Curve concave? Explain. (3)
7. What awareness should be brought in the society to reduce their demand for petrol and conserve this useful source of energy. (3)
8. Explain any two reasons for change in demand. (3)
9. Explain the problem of 'What to Produce' with the help of example. (3)

OR

Explain the problem of 'How to Produce' with the help of example.

10. Which of the following statements are 'True' or 'False'? Give reasons. (3)

- a) An economy always produces on but not inside the PP curve.
- b) Massive unemployment shifts the PP curve to the left.
- c) An economy cannot operate on any point outside the PP curve.

11. Distinguish between 'Micro Economics' and 'Macro Economics'. Give examples. (4)
12. 'X' & 'Y' are substitute goods. Explain the effect of a fall in the price of 'X' on the demand of 'Y' (4)
- OR
- 'X' & 'Y' are complementary goods. Explain the effect of rise in price of X on the demand of Y.
13. 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 he will buy 64 units. (4)
14. Explain by giving example, how do the following determine price elasticity of demand. (6)
- 1) Nature of the good                      2) Availability of substitutes
15. Explain with the help of a diagram the Geometric Method of measuring price elasticity of demand. (6)

OR

Explain the Total Outlay method of measuring price elasticity of demand.

16. What are Monotonic Preferences? Explain why is an Indifference Curve : (6)
- 1) Downward sloping from left to right   2) Convex

SECTION-B

17. Identify the 'Stock' variable. (1)
- a) Wealth      b) Income      c) Savings      d) Capital formation
18. When  $MPS = 0$ , then K is : (1)
- a) 1      b) 0      c) 2      d) None of the above
19. At the 'Break-Even' point, Savings in the economy are : (1)
- a) Positive      b) Zero      c) Negative      d) Maximum
20. Calculate Intermediate Consumption from the following data. (3)

	(Rs. In Lakhs)
1. Value of output	200
2. Net Value Added @FC	80
3. Sales Tax	15
4. Subsidies	5
5. Depreciation	20

OR

Calculate Value of Output from the following data

	(Rs. In Lakhs)
1. Net Value Added @ FC	100
2. Intermediate Consumption	75
3. Excise Duty	20
4. Subsidies	5
5. Depreciation	10

21. Distinguish between Real and Nominal GDP (3)
22. As a result of increase in investment by Rs. 125 Crs. national income increases by Rs. 500 Crs. Calculate MPC. (3)

23. Production of eco -friendly products is beneficial for an economy. Examine this fact in the light of Real GDP as an indicator of welfare. (4)

24. Explain Inflationary Gap with the help of a diagram. (4)

OR

Explain Deflationary Gap with the help of a diagram.

25. From the following data calculate 1) GDP @FC 2) Factor Income to Abroad (6)

	(Rs. In Crs.)
1) Compensation of employees	800
2) Profits	200
3) Dividends	50
4) Gross National Product @ MP	1400
5) Rent	150
6) Interest	100
7) Gross domestic capital formation	300
8) Net domestic fixed capital formation	200
9) Change in stock	50
10) Factor income from abroad	60
11) Net indirect tax	120

26. How will you treat the following while estimating National Income of India? Give reasons for your answer. (6)

- 1) Dividend received by a foreigner from investment in shares of an Indian Company.
- 2) Profits earned by a branch of Indian bank in Canada.
- 3) Scholarships given to Indian students studying in India by a foreign company.

27. Explain the role of the following in correcting excess demand in an economy. (6)

- 1) Repo Rate
- 2) Open Market Operation

28. In an economy the Consumption function is  $C=600+0.9Y$  where C is consumption expenditure and Y is income. Calculate the equilibrium level of income and Consumption expenditure when Investment expenditure is 500. (6)

OR

Outline the steps taken in deriving Saving Curve from the consumption Curve. Use diagram

29. Calculate National Income and Personal Disposable Income. (6)

	(Rs. Crs.)
1) Personal Tax	150
2) Net imports	(-) 10
3) Private final consumption expenditure	700
4) Private income	600
5) Undistributed profit	20
6) Net domestic capital formation	120
7) Govt. Final consumption expenditure	200
8) Net factor income to abroad	(-) 5
9) Corporate tax	100
10) Net indirect tax	105