

MARTHOMA RESIDENTIAL SCHOOL, THIRUVALLA
FIRST TERM EXAMINATION August 2017

ECONOMICS

STD: XII

Marks: 80

Time: 3 hrs.

Answer Question I compulsory from Part I and five questions from Part II

Part I (20 Marks)

Question 1

(10x2=20)

- 1) Differentiate between monopoly and monopsony. Give an example for each.
- 2) Explain any two properties of indifference curve with the help of a diagram.
- 3) Explain the meaning of price ceiling with the help of a diagram.
- 4) Why the central bank is considered the lender of the last resort?
- 5) Give Reasons:
 - a) The demand for good increases when the income of the consumer increases.
 - b) X and Y are substitute goods. A rise in the price of X results in a rightward shift of the demand curve of Y
- 6) What is short-run production function? Explain how short-run production function is different from long-run production function.
- 7) If the value of the multiplier is 4. What will be the value of MPC and MPS?
- 8) Give two assumptions of the law of variable proportions.
- 9) The demand for the commodity at Rs.4 per unit is 100 units. The price of the commodity rises and as a result, its demand falls to 75 units. Find the new if the price elasticity of demand of that commodity is 1?
- 10) Distinguish between break-even point and shut-down point with the help of a diagram.

Part II (60 Marks)

Question 2

- a) Explain the following functions of money.
- i) Medium of exchange (3)
 - ii) Store of value
- b) Explain how bank rate and open market operations can be used by the central bank to control credit. (3)
- c) How do commercial banks create credit? Explain with the help of an example. (6)

Question 3

- a) Explain the relationship between AC and MC with the help of a diagram. (3)
- b) Highlight any three differences between monopolistic competition and oligopoly. (3)
- c) A perfectly competitive firm can continue producing even if it is incurring losses in short-run equilibrium. Justify the given statement with the help of a diagram. (6)

Question 4

- a) Explain with the help of a diagram the relationship between total utility and marginal utility. (3)
- b) Find the elasticity of demand of x and y on the basis of the schedule given below and specify which one is more elastic, (3)

Good x		Good y	
Px (Rs)	Dx (units)	Py (Rs)	Dy (units)
8	10	8	10
4	12	6	25

- c) Explain any four reasons for the demand curve to be downward sloping. (6)

Question 5

a) Discuss the mechanism of investment multiplier with the help of a numerical example. (3)

b) The cost function of the firm is given below:

Output	0	1	2	3	4
TC	60	80	100	111	116

Find: TFC, TVC and AFC

(3)

c) Explain the determination of equilibrium level of output with the help of saving and investment curves. If saving exceeds planned investment what changes will bring about equality between them. (6)

Question 6

a) Distinguish between excess demand and excess supply with the help of diagrams. (3)

b) What is equilibrium price? What changes takes place in the market when the prevailing price is greater than the equilibrium price? (3)

c) Explain the law of variable proportions with the help of a diagram. What are the reasons for the three phases of the law of variable proportions? (6)

Question 7

a) Distinguish between explicit cost and implicit cost of production.(3)

b) Write any two factors determining market forms. (3)

c) Explain the equilibrium of the producer (firm) in terms of total revenue and total cost approach. (6)