

**MAR THOMA RESIDENTIAL SCHOOL TIRUVALLA**  
**SECOND TERM EXAMINATION 2019-20**

**STD : XII C**

**ECONOMICS**

(Maximum Marks: 80)

(Time allowed: Three hours)

*(Candidates are allowed additional 15 minutes for only reading the paper. They must NOT start writing during this time.)*

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*Answer Question 1 (compulsory) from Part I and five questions from Part II. The intended marks for questions or parts of questions are given in brackets [ ].*

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**PART I (20 Marks)**

*All questions are compulsory*

**(10x2=20)**

**Question 1**

- a) Define marginal utility. When can it be negative?
- b) Give one difference between accounting cost and opportunity cost.
- c) Name the market where average revenue is equal to marginal revenue. Give a reason for your answer.
- d) What is meant by income elasticity of demand?
- e) Give two differences between current account and capital account of the balance of payments account.
- f) Give a reason for the following
  - i) The demand for a good increases when income of the consumer increases
  - ii) X and Y are substitute goods. A rise in the price of X results in a rightward shift of the demand curve of Y
- g) What is a direct tax?
- h) What is meant by price discrimination in the monopoly market?
- i) Explain deficit financing?
- j) If the value of MPC is 0.75, find the value of multiplier?

Part II (60 marks)

Answer any five questions

Question 2

- a) Differentiate between contraction of demand and decrease in demand using diagrams. (3)
- b) "The supply curve of labour is an exception to the law of supply" Justify the statement using a diagram. (3)
- c) A consumer consumed goods X and Y. Given below is his marginal utility schedule for goods X and Y. Suppose the price of X is Rs2, price of Y is 1 and income is 12. State the law of equi marginal utility and explain how the consumer will attain equilibrium.

Units	1	2	3	4	5	6
MU <sub>x</sub>	16	14	12	10	8	6
MU <sub>y</sub>	11	10	9	8	7	6

Question 3

- a) State any three properties of indifference curve.
- b) How do the following affect the equilibrium price and quantity? Show graphically.
- 1) A change in consumers taste in favour of the product.
  - 2) A reduction in consumer's income.
  - 3) An increase in the price of complementary goods
- c) Explain the law of variable proportions with the help of a diagram. Also explain the reasons behind the law.

Question 4

- a) Distinguish between fixed cost and variable cost. Give an example of each.
- b) Calculate TVC, AFC, MC from the following data given below

Output(units)	0	1	2	3	4	5
TC(Rs)	10	30	45	55	70	90

- c) Explain how a producer attains equilibrium under perfect competition through MR and MC approach.

Question 5

- a) Explain any three features of monopolistic competition
- b) Show how a firm in a perfectly competitive market incurs a loss and earns super normal profit in the short run and explain it



- c) Explain with the help of an appropriate diagram, the determination of equilibrium level of income and output, using aggregate demand and aggregate supply approach. Is this equilibrium level of income at full employment level? (6)

#### Question 6

- a) Explain the mechanism of investment multiplier with the help of a numerical example (3)
- b) Explain any two secondary functions of money. (3)
- c) Describe the qualitative methods of controlling credit by the central bank in an economy. (6)

#### Question 7

- a) Explain various agency function provided by the commercial banks. (3)
- b) "Mention one difference between devaluation and depreciation of currency. How can depreciation of currency be a measure of correcting disequilibrium in the balance of payments?" (3)
- c) "The flexible exchange rate system is a system of automatic adjustment in balance of payments disequilibrium". Explain with the help of a diagram (6)

#### Question 8

- a) Explain the following objective of fiscal policy  
 1) Price stability  
 2) Attaining external equilibrium (3)
- b) Define progressive, regressive and degressive taxation with examples. (3)
- c) Distinguish between revenue deficit, fiscal deficit and primary deficit. What are their implications on the economy? (6)

#### Question 9

- a) Describe with the help of a diagram various flows of money in a closed economy. (3)
- b) Distinguish between real GDP and nominal GDP. Which of these is a better indicator of economic welfare and why? (3)
- c) From the following data, calculate national income by income method and expenditure method. (6)

	(Rs in crore)
1) Compensation of employees	600
2) Government final consumption expenditure	550
3) Net factor income from abroad	(-)10
4) Net exports	(-)15
5) Profits	400
6) Net indirect taxes	60
7) Mixed income of self employed	350
8) Rent	200
9) Interest	310
10) Private final consumption expenditure	1000
11) Net domestic capital formation	385
12) Consumption of fixed capital	65