

MAR THOMA RESIDENTIAL SCHOOL TIRUVALLA

FIRST TERM EXAMINATION 2019-20

ECONOMICS

STD: XII C

Maximum marks: 80

Time allowed: 3 Hrs

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

*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 the brackets [ ]*

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**PART I [20 MARKS]**

*Answer all questions.*

Question 1.

*Answer briefly each of the following questions (i) to (x):*

[10 x 2=20]

- i) Define inferior goods and Giffen goods.
- ii) What is substitution effect?
- iii) State any two properties of indifference curves.
- iv) State any two factors determining price elasticity of demand.
- v) Draw the supply curve of a perishable commodity. Give reason for the shape of the supply curve.
- vi) With the help of a diagram show how equilibrium price and quantity of a commodity are affected when
  - 1) Demand is perfectly elastic and supply decreases
  - 2) Supply is perfectly elastic and demand increases.
- vii) Distinguish between returns to a factor and returns to scale.
- viii) What is explicit cost and implicit cost of a firm?
- ix) Differentiate between monopoly and monopsony.
- x) Why is price per unit equal to the average revenue and marginal revenue of a firm under perfect competition?

**PART II [60 MARKS]**  
*Answer any five questions*

Question 2.

- a) Explain any three determinants of demand for a commodity. (3)
- b) Differentiate between contraction of demand and decrease in demand. (3)
- c) What is price elasticity of demand? Explain the various degrees of price elasticity with diagrams. (6)

Question 3.

- a) The quantity supplied of a commodity at a price Rs.8 per unit is 400 units. Its price elasticity is 2. Calculate the price at which its quantity supplied will be 600 units. (3)
- b) Why is supply curve of labour backward sloping? Explain with the help of a diagram. (3)
- c) Explain the Law of Variable proportion with the help of a diagram. (6)

Question 4.

- a) Explain the concept of maximum price legislation with the help of a diagram. (3)
- b) Explain the shapes of TFC curve and AFC curve. Give one reason each to justify the shapes of the two curves. (3)
- c) Explain producer's equilibrium in perfect competition using MC and MR approach. (6)

Question 5.

- a) Explain the measures to correct excess demand. (3)
- b) Given that  $C=60+0.8Y$  and  $I=60$ , calculate
  - 1) Equilibrium level of income.
  - 2) Consumption at equilibrium level
  - 3) Saving at equilibrium level(6)
- c) Explain how equilibrium level of income and output is can be determined with the help of aggregate demand and aggregate supply approach. (6)

Question 6.

- a) Explain the concept of full employment.
- b) Define investment multiplier and calculate multiplier if MPC is 0.75
- c) Explain how a firm in perfect competition incurs profit and loss in the short run equilibrium using diagram.

Question 7.

- a) "Under perfect competition the seller is a price taker and under monopoly he is a price maker". Explain. (3)
- b) Explain any two features of oligopoly market. (3)
- c) Distinguish between monopolistic competition and perfect competition. (6)

Question 8.

- a) Draw TC, TFC and TVC curves in a single diagram and explain it. (3)
- b) Complete the following

Units of output	TC	TFC	TVC	MC
0	45			
1	75			
2	100			
3	120			

(3)

- c) Using diagrams, distinguish between the shapes of the TR, MR and AR under perfect competition and imperfect competition. (6)

(6)

Question 9.

- a) If MPC is 0.75, what is the value of multiplier? If MPC increases to 0.9, how would the multiplier be affected? (3)
- b) Explain the working of investment multiplier taking a numerical example. (3)
- c) Explain how a producer attains equilibrium using the TR and TC approach. (6)