

MAR THOMA RESIDENTIAL SCHOOL TIRUVALLA

SECOND MODEL EXAMINATION 2019-20

ECONOMICS

STD: XII C

Maximum marks: 80

Time allowed: 3 Hrs

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 []

PART I [20 MARKS]

Answer all questions.

Question 1.

[10x2=20]

- a) What is income effect?
- b) What is meant by ex-ante and ex-post demand?
- c) Distinguish between intended supply and actual supply.
- d) Distinguish between private cost and social cost.
- e) What do you mean by product differentiation?
- f) What do you mean by high-powered money?
- g) Define balance of trade and balance of payments.
- h) What is a zero based budget?
- i) Explain with the help of an example the problem of double-counting while calculating national income.
- j) What are the various components of compensation of employees?

PART II [60 Marks]

Answer any five questions.

Question 2.

- a) State the relationship between total utility and marginal utility. [3]
- b) The quantity demanded for a commodity at a price Rs.10 per unit is 40 units. Its price elasticity of demand is (-)2. The price falls by 2 per unit. Calculate the quantity demanded at the new price. [3]
- c) Explain the factors determining price elasticity of demand. [6]

Question 3.

- a) Explain the concept of maximum price legislation with the help of a diagram. [3]
- b) Explain any two causes of increasing returns to a factor. [3]
- c) Define economic cost. Explain the relationship between total cost, total fixed cost and total variable cost with help of a diagram. [6]

Question 4.

- a) Distinguish between monopoly and monopolistic competition on the basis of average revenue curves and entry of firms. [3]
- b) Explain any three features of an oligopoly market situation. [3]
- c) Explain how a producer attains equilibrium using the TR and TC approach. [6]

Question 5.

- a) With the help of a diagram explain how short-run equilibrium is attained by a perfectly competitive firm earning super-normal profits. [3]
- b) In an economy, $S = -50 + 0.5Y$ and investment expenditure is Rs.7000/-. Calculate;
 - 1) Equilibrium level of income.
 - 2) Consumption expenditure at equilibrium. [3]
- c) Explain the determination of national income through the savings- investment approach. Illustrate your answer diagrammatically. Can this equilibrium be less than full employment level of income? [6]

Question 6.

- a) Explain the primary functions of money. [3]
- b) Define the following:
 - 1. Fiat money 2. Deposit money 3. Token money. [3]
- c) How do commercial banks create credit? Explain with the help of a numerical example. [6]

Question 7.

- a) What is an indirect tax? How is it different from a direct tax? [3]
- b) Draw a well labeled diagram to show a circular flow of income in a two sector model. What happens to the flow of income when savings equals investment? [3]
- c) Explain the concept of inflationary gap with the help of a diagram. Discuss two monetary measures to correct it. [6]

Question 8.

- a) Differentiate between revenue deficit and fiscal deficit. [3]
b) Complete the following table:

| Income [Y] | Consumption [C] | APS | MPS |
|------------|-----------------|-----|-----|
| 0 | 40 | | |
| 50 | 70 | | |
| 100 | 100 | | |
| 150 | 120 | | |

[3]

- c) Discuss any two quantitative methods and any two qualitative methods of credit control used by the central bank. [6]

Question 9.

- a) What is meant by economic welfare? Explain how GDP is used as an indicator of economic welfare. [3]
b) Explain how the following are treated in estimating national income:
i) Wheat grown by a farmer for self-consumption.
ii) Earnings of the shareholders from the sale of shares.
iii) Services rendered by family members to each other. [3]
c) From the following calculate national income by output method and income method. [6]

| | (Rs. in crores) |
|---|-----------------|
| 1) Value of output | 2500 |
| 2) Value of intermediate consumption | 1300 |
| 3) Subsidies | 40 |
| 4) Rent | 110 |
| 5) Employer's contribution to social security | 30 |
| 6) Profit | 50 |
| 7) Wages and salaries | 340 |
| 8) Interest | 10 |
| 9) Mixed income of self-employed | 360 |
| 10) Indirect tax | 180 |
| 11) NFIA | (-30) |
| 12) Consumption of fixed capital | 160 |