

**ATUL VIDYALAYA  
FIRST PRELIMINARY EXAMINATION 2012-13**

**Date: 29/09/2012  
STD: XII**

**Economics**

**MM: 100  
Time: 3 Hrs.**

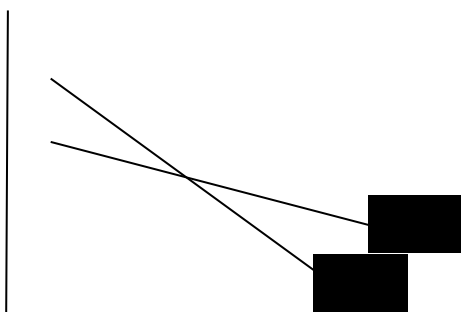
**Instructions:**

1. Candidates are allowed additional 15 minutes for only reading the paper. They must NOT start writing during this time.
2. Answer **Question 1 (Compulsory)** from Part – I and **Five Questions** from Part – II
3. The intended marks for questions or parts of questions are given in brackets [ ]

**PART I**

**Q - 1. Answer briefly each of the questions (I) to (xv) [2 x 15]**

- (i). Mention two limitations of microeconomics.
- (ii). Ram's family buys 4 kg of milk every day. On some day due to arrival of his guests, he demands 6 kg of milk. State whether it is a case of expansion of demand or increase in demand and why.
- (iii). What is the relationship between Ed of D1 and D2 in the following diagram?



- (iv). Mention two limitations of the law of equimarginal utility.
- (v). If a farmer grows rice and wheat, how will an increase in the price of wheat affect the supply curve of rice?
- (vi). What do you understand by 'returns to scale'?
- (vii). What will happen if the price prevailing in the market is
  - a. Above the equilibrium price.
  - b. Below the equilibrium price.
- (viii). Define marginal cost.
- (ix). Why  $MR < AR$  when AR is falling?
- (x). Why is the price per unit equal to the AR and MR of a firm under perfect competition?
- (xi). What do you understand by open market operations?
- (xii). 'Inflation is a post-full employment phenomenon'. Explain the statement.
- (xiii). Differentiate between money flow of income and real flow of income.
- (xiv). Show difference between intermediate goods and final goods.
- (xv). Mention the importance of budget.

**Part – 2**

**Attempt any five questions from this section.**

**Question 2**

1. Write the law of demand with the help of a demand schedule and a curve. Give two reasons why it shapes downwards to the right? [4]
2. On the basis of information given below, would you advise the television makers to cut the price of television set from ₹ 10,000 to ₹ 8,000? Explain your answer. [4]

Price per colour television (₹)	Quantity demanded per month
<b>10,000</b>	1,000
<b>8,000</b>	1,800

3. Explain any six factors affecting price elasticity of demand. [6]

**Question 3**

1. State and explain the law of supply with the help of a schedule and a diagram. [4]
2. Explain the relationship between average product and marginal product with the help of a diagram. [4]
3. State and explain the law of equimarginal utility. [6]

**Question 4**

1. Distinguish between movement along the supply curve and shift in supply with the

- help of suitable diagrams. [4]
- Market for a good is in equilibrium. There is increase in demand of that good. Explain chain of effects of this change. Use diagram. [4]
  - Explain the price support policy of the government using the diagram. [6]

**Question 5**

- Why is average cost curve U-shaped in the short-run? Give reasons. [4]
- Explain the features of an oligopoly market. How is an oligopoly market different from a monopoly market? [4]
- The following table shows total cost schedule of a competitive firm. It is given that the price of the good is ₹ 10. Calculate the profit at each output level. Find the profit maximising output. [6]

Output	0	1	2	3	4	5	6	7	8	9	10
TC (₹)	5	1 5	2 2	2 7	3 1	3 8	4 9	6 3	8 1	10 1	12 3

**Question 6**

- Describe the changes that will take place in an economy when planned savings are more than planned investment. [4]
- Explain the role of the following in correcting the inflationary gap in an economy: [4]
  - Legal Reserves
  - Bank Rate
- What is the difference between domestic product and national product? Show difference between  $GNP_{FC}$  and  $GNP_{MP}$ ? Why are pure exchange transactions excluded from national income accounting? [6]

**Question 7**

- Although commercial banks do not issue notes, they are called producers (creators) of money, why so? [4]
- 'Inflation is unjust.' Explain the statement clearly. [4]
- Giving reasons classify the following into intermediate products and final products. [6]
  - Computers installed in an office.
  - Mobile sets purchased by a mobile dealer.
  - Furniture purchased by a school.
  - Chalk, duster etc. purchased by school.
  - Milk used by a Halwai.
  - Machines.

**Question 8**

- "A modern economy is a four-sector economy." Explain. [4]
- What is double counting and what does it lead to? [4]
- Calculate  $GNP_{FC}$  by income and expenditure method from the following data: [6]

	₹ (in Lakh)
(i). Rent	40
(ii). Private final consumption expenditure	800
(iii). Net exports	20
(iv). Interest	60
(v). Profit	120
(vi). Govt. final consumption expenditure	200
(vii). Net domestic capital formation	100
(viii). Compensation of employees	800
(ix). Consumption of fixed capital	20
(x). Net indirect taxes	100
(xi). Net factor income from abroad	(-) 20

**Question 9**

- In a situation of income inequality, give two ways in which fiscal policy can be used to bring about equality? [4]
- Why borrowings by the government are capital receipts? Give significance of a

- revenue deficit.
3. What is performance budget? Differentiate revenue expenditure and capital expenditure.
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[4]

[6]