

KENDRIYA VIDYALAYA SANGATHAN ERNAKULAM REGION  
 SECOND PRE-BOARD EXAMINATION 2018-19  
 CLASS XII  
 ECONOMICS (30)

MM-80

Time Allowed- 3 Hours

General Instructions:

- i. All questions in both sections are compulsory. However, there is internal choice in some questions.
- ii. Marks for questions are indicated against each question.
- iii. Question No.1-4 and 13-16 are very short answer questions carrying 1 mark each. They are required to be answered in one sentence.
- iv. Question No.5-6 and 17-18 are short answer questions carrying 3 marks each. Answers to them should not normally exceed 60 words each.
- v. Question No.7-9 and 19-21 are also short answer questions carrying 4 marks each. Answers to them should not normally exceed 70 words each.
- vi. Question No.10-12 and 22-24 are long answer questions carrying 6 marks each. Answers to them should not normally exceed 100 words each
- vii. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

<b>SECTION-A MICRO ECONOMICS</b>		
1	<p>State the reason why total Variable cost (TVC) starts from the origin but total fixed cost (TFC) has a positive intercept on Y axis.</p> <p style="text-align: center;"><b>OR</b></p> <p>The Total Cost (TC) of a firm when it produces zero output is 200 and at 4<sup>th</sup> unit TC is 380. What is the TVC of the firm at fourth unit of output?</p>	1
2	<p>Which is the correct statement among the following?</p> <ol style="list-style-type: none"> <li>a. Break-even point of production is where <math>TR=MR</math>.</li> <li>b. In a market where price remains constant, then <math>MR=Price</math></li> <li>c. For a monopoly firm <math>MR&gt;AR</math>.</li> <li>d. At Shut down point of production <math>AR=AC</math></li> </ol> <p style="text-align: center;"><b>OR</b></p> <p>What changes should take place in the Total Revenue TR, so that MR will remain positive and constant.</p> <ol style="list-style-type: none"> <li>a. Total revenue should fall with increase in output sold.</li> <li>b. Total revenue should increase at a diminishing rate.</li> <li>c. Total revenue should increase at a constant rate.</li> <li>d. All of the above.</li> </ol>	1

3	<p>If new and advanced technology is introduced in the production of good X, which of the following will be the impact on the PPC of that commodity?</p> <ol style="list-style-type: none"> <li>PPC will shift towards the right</li> <li>PPC will rotate towards the right along X axis.</li> <li>PPC will rotate towards the left along X axis.</li> <li>PPC will shift towards the left.</li> </ol>	1										
4	<p>Production function of a firm is given as <math>Q=5L+2K^2</math> where L is labour and K is capital. What is the output that can be produced with 3 units of capital and 4 units of labour?</p>	1										
.	<p>What is production possibility frontier or PPF? Describe briefly the impact of the recent Cyclone Gaja on the PPF of Tamil Nadu.</p>	3										
6	<p>A consumer consumes a commodity X. At certain point of consumption the MU derived from X is 24 and the price of good X is Rs.10 per unit. If the MU of money is assumed to be 2, will the consumer be in equilibrium? Why? What will a rational consumer do in this situation?</p> <p style="text-align: center;"><b>OR</b></p> <p>A consumer consumes two goods X and Y which are priced at Rs.3 and 4 respectively. At a particular point of consumption the MU derived from X is 12 and MU derived from Y is also 12. Will the consumer be in equilibrium? Why? What should a rational consumer do in this situation?</p>	3										
7	<p>When the price of a commodity is Rs.20 per unit, its quantity demanded is 800 units. When its price rises by Rs.5 per unit, its quantity demanded falls by 20 per cent. Calculate the price elasticity of demand. Comment on the elasticity of demand.</p> <p style="text-align: center;"><b>OR</b></p> <p>Distinguish between normal goods and inferior goods. Explain how a decrease in the income of the consumer affects the demand for these commodities. Use diagrams.</p>	4										
8	<p>Calculate the TC and AVC of a firm which incurs an AFC of Rs.3 when it produces 4<sup>th</sup> unit of output.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Output</td> <td style="width: 15%;">1</td> <td style="width: 15%;">2</td> <td style="width: 15%;">3</td> <td style="width: 15%;">4</td> </tr> <tr> <td>MC</td> <td>24</td> <td>20</td> <td>16</td> <td>18</td> </tr> </table>	Output	1	2	3	4	MC	24	20	16	18	4
Output	1	2	3	4								
MC	24	20	16	18								
9	<p>Elaborate the product differentiation feature of monopolistic competition. How does it add to the selling cost of the product?</p> <p style="text-align: center;"><b>OR</b></p> <p>Why firms are interdependent in the oligopoly form of market and what is the significance of selling cost under these circumstances?</p>	4										
10	<p>a. Explain any two properties of indifference curve.</p>	4										

	b. Write the equation of the budget line and using the same calculate the income of the consumer who spends his entire income to purchase 5 units of good X priced at Rs.12 per unit and 8 units of good Y which is priced at Rs.6 per unit.	2																		
11	Government plans to introduce minimum wage legislation. Is it an example of price ceiling or price floor? Explain the concept with the help of a diagram. Discuss its impact?  <b>OR</b> Explain the meaning of excess supply and excess demand with the help of a schedule and diagram. Explain their effect on equilibrium price.	6																		
12	Consider the AR-AC schedule of a firm given below. <table border="1" style="margin-left: 20px;"> <tr> <td>Output</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td>AR</td> <td>12</td> <td>11</td> <td>10</td> <td>9</td> <td>8</td> </tr> <tr> <td>AC</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> <td>8</td> </tr> </table> <p>a. Identify the level of output at which the producer will be in equilibrium using MC-MR approach. b. Give reasons for your answer.</p>	Output	1	2	3	4	5	AR	12	11	10	9	8	AC	4	5	6	7	8	6
Output	1	2	3	4	5															
AR	12	11	10	9	8															
AC	4	5	6	7	8															
<b>SECTION-B MACRO ECONOMICS</b>																				
13	Which of the following is true about margin requirement? a. It is the minimum percentage of net demand and time liabilities to be kept by commercial banks with RBI b. It is the minimum percentage of net demand and time liabilities to be kept with the commercial banks themselves. c. It is the minimum amount of foreign exchange reserves to be kept by the central bank. d. It is the difference between the amount of loan and the market value of the security offered against that loan.	1																		
14	If the Central Bank wants to reduce the availability of credit in the economy, which of the following is an effective measure? a. Decrease CRR b. Selling government securities c. Reduce repo rate d. Buying government securities	1																		
15	Which of the following is a capital receipt for the government? a. Profits and dividends b. Goods and service tax GST c. Receipts from disinvestments d. Escheats	1																		
16	Define primary deficit.  <b>OR</b> Define revenue deficit	1																		



	<ul style="list-style-type: none"> <li>i. Calculate the equilibrium level of national income.</li> <li>ii. Consumption expenditure at equilibrium level of national income.</li> </ul> <p>b) Due to an increase in investment, the national income increased by Rs.12000 crores. If 80% of additional income is consumed then:</p> <ul style="list-style-type: none"> <li>i. Calculate the value of investment multiplier.</li> <li>ii. Calculate the increase in investment.</li> </ul>	3
	<b>OR</b>	
	Explain national income equilibrium through aggregate demand and aggregate supply. Use diagram. Also explain the changes that will take place in an economy when the economy is not in equilibrium.	6
24	<ul style="list-style-type: none"> <li>a) USA has recently imposed economic sanctions on Iran to contain its nuclear programs. How is it likely to impact Balance of Payment (BOP) situation of India which imports huge quantity crude oil from Iran? Explain.</li> <li>b) How will depreciation of Indian rupee against the US dollar be beneficial to Indian exporters?</li> </ul>	3 3