

**KENDRIYA VIDYALAYA SANGATHAN**  
**ERNAKULAM REGION**  
**PRE-BOARD – I EXAMINATION 2018-19**

**Class: XII**

**ECONOMICS**

**Max. Marks: 80**

**Time: 03 hrs.**

**General Instructions :**

- (i) **All** questions in both the sections are compulsory.  
(ii) Marks for questions are indicated against each question.  
(iii) Question Nos. **1 – 4** and **13 – 16** are very short-answer questions carrying **1** mark each. They are required to be answered in **one sentence** each.  
(iv) Question Nos. **5 – 6** and **17 – 18** are short-answer questions carrying **3** marks each. Answers to them should normally not exceed **60** words each.  
(v) Question Nos. **7 – 9** and **19 – 21** are also short-answer questions carrying **4** marks each. Answers to them should normally not exceed **70** words each.  
(vi) Question Nos. **10 – 12** and **22 – 24** are long-answer questions carrying **6** marks each. Answers to them should normally not exceed **100** words each.  
(vii) Answers should be brief and to the point and the above word limits should be adhered to as far as possible.

Q.	Part A	Mark
1	Define implicit cost.	1
2	Microeconomics is the study of : a. A producer b. Production of a good c. An industry d. All the above	1
3	In 'returns to a factor' the word return refers to: a. Units of output b. Value of output c. Total profit d. Per unit profit	1
4	Define slope of the supply curve.	1
5	Explain the difference between substitute goods and complementary goods. <b>(OR)</b> Explain law of diminishing marginal utility with the help of a schedule.	3
6	State any three assumptions on which a typical Production Possibility frontier is based.	3
7	Explain the outcome of the following features of a perfectly competitive market: i. Freedom to the firms to enter the industry. ii. Freedom to the firms to leave the industry. <b>(OR)</b> Explain the implications of the following in an oligopoly market. i. Interdependence between firms. ii. Non-price competition	4
8	Explain the conditions of producer's equilibrium.	4
9	The price elasticity of demand for a good is -0.8. If its price increases by 5 percent. By what percentage will its demand fall? Calculate.	4
10	Explain any three factors determining supply of a good. <b>(OR)</b> What is the relationship between: a. Marginal revenue and average revenue b. Total revenue and marginal revenue.	6
11	A consumer, Mr. Nithesh is in state of equilibrium consuming two goods X and Y with given prices $P_x$ and $P_y$ . Explain what will happen if: a. $\frac{MU_x}{P_x} > \frac{MU_y}{P_y}$ b. $P_y$ falls.	6
12	Market for a good is in equilibrium. Explain the chain of reactions in the market if the price is:	6

	i. Higher than equilibrium price.	ii. Lower than equilibrium price.	
	<b>Part B</b>		
13	Define intermediate goods.		1
14	State the components of money supply		1
15	Given Cash reserve ratio =4% and statutory liquidity ratio= 16%, the value of money multiplier is : a. 25                      b. 6.25                      c. 5                      d. 8.33		1
16	Aggregate saving in an economy is : a. Positive throughout b. Positive in the beginning and then negative. c. Negative throughout d. Negative initially and then positive		1
17	Explain why, due to the presence of externalities, real national income in itself cannot be treated as a true index of economic welfare.  <b>(OR)</b> State any three precautions of value added method that should be kept in mind while estimating National Income.		3
18	Outline the steps in deriving consumption curve from saving curve. Use diagram.		3
19	Why must aggregate demand be equal to aggregate supply at the equilibrium level of income? Explain.		4
20	Explain the 'banker to the government' function of the central bank.  <b>(OR)</b> Do you consider a commercial bank 'Creator of money' in the economy?		4
21	Explain the concept of "Excess Demand" in macroeconomics. Also explain the role of open market operations in correcting it.		4
22	Explain briefly any two objectives of government budget.		6
23	Are the following entered (i) on the credit side or debit side and (ii) in the current account or capital account in the balance of payments account? You must give reasons for your answer. (a) Investment from abroad. (b) Transfer of funds to relatives abroad. (c) Profits received from investments abroad.  <b>(OR)</b> a. Give the meaning of "devaluation and Depreciation" of domestic currency. b. Distinguish between autonomous and accommodating transactions. Explain the significance of this distinction.		6

Calculate National Income by (a) Expenditure Method and (b) Production Method from the following data:

S.No	items	(Rs in crores.)
(i)	Gross value added at market price by the primary sector	300
(ii)	Private final consumption expenditure	750
(iii)	Consumption of fixed capital	150
(iv)	Net indirect tax	120
(v)	Gross value added at market price by secondary sector	200
(vi)	Net domestic fixed capital formation	220
(vii)	Change in stocks	(-)20
(viii)	Gross value added at market price by tertiary sector	700
(ix)	Net imports	50
(x)	Government final consumption expenditure	150
(xi)	Net factor income from abroad	20