

First Term Examination (19 September 2017)

Class XII
Economics (Com/Hum)
(Set-B)

Time: 3hrs

M.M.80

Instructions:

- i) All questions are compulsory.
- ii) Marks are indicated against each question.
- iii) Calculator is not allowed.

- Q1. What causes an economy to operate on any point inside the PPC? (1)
- Q2. Demand for salt is nearly perfectly in-elastic. If the government imposes tax of 20% on salt, What shall be the effect on quantity demanded of salt? Why? (1)
- Q3. Which of the following is correct? (1)
- a) ATC is greater than AVC by the amount of AFC.
 - b) ATC and AVC curves never intersect each other.
 - c) MC curve cuts AVC and ATC curves at their minimum points.
 - d) All the above.
- Q4. A severe drought results in a drastic fall in the output of wheat. Analyse how it will affect the market price of wheat? (1)
- Q5. How in one way can an economy increase its production capacity? (1)
- Q6. How much quantity of good, a consumer will consume at zero price? (1)
- Q7. If nothing is supplied even at marginally reduced price what will be elasticity of supply? (1)
- Q8. What happens to the profits in long-run, if firms are free to enter the industry? (1)
- Q9. Using a diagram, explain what will happen to the PPC of Bihar, if the river Kosi causes widespread floods? (3)
- Q10. Why do problems related to allocation of resources in an economy arise? (3)
- Q11. Define MR show the changes in TR with the help of diagram when : (3)
- a) MR is positive and constant
 - b) MR is declining
- Q12. 'Supply curve is the rising portion of marginal cost curve over and above the minimum of average variable cost curve.' Do you agree? Give reason. (3)
- Q13. Define an indifference curve why an indifference curve is downward sloping from left to right. (4)
- Q14. The demand for a good is 300 units at Rs. 20, if price rises by Rs. 2 and demand falls. Find the new demand if elasticity of demand is 2. (4)

Q15. Complete the following table: (4)

Output (units)	ATC Rs.	AVC Rs.	MC Rs.
1	54	30	-
2	-	24	-
3	-	-	24
4	33	-	-

Q16. Why output level where MR is greater than MC cannot be the profit maximisation level of output? (4)

Q17. What are the reasons for emergence of monopoly? (4)

Q18. Explain 'non-price competition' feature of oligopoly. Also explain its implication. (4)

Q19. A consumer consumes only two goods. For the consumer to be in equilibrium, why must Marginal rate of substitution between the two goods must be equal to the ratio of prices of these two goods? Is it enough to ensure equilibrium? (6)

Q20. Explain the degree of price Elasticity of Demand. (6)

Q21. Explain the three types of changes that take place in total product when a firm tries to increase production by increasing quantity of only one factor is short run. (6)

Q22. Discuss the factors affecting elasticity of supply. (6)

Q23. Suppose there is a sudden increase in birth rate. The increase in population has raised the demand for cotton shirts. At the same time, due to fall in price of cotton, the supply of shirts have also increased. How will it affect the equilibrium price and quantity of shirts? (6)

Q24. Alcohol is injurious to health. How can government reduce its consumption but only through normal market forces? Explain the chain of effects of government's action. What are the values behind following this policy? (6)