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M.P. BIRLA FOUNDATION HIGHER SECONDARY SCHOOL

SELECTION EXAMINATION

2020-21

CLASS-XII

ECONOMICS

MAX. MARKS: 80 WRITING TIME: 3 HR.

[*Instruction: Answer Question 1 (compulsory) from Part I and any* ***five*** *questions from Part II. The intended marks for questions or parts of questions are given in brackets ().*]

PART I

Question 1:

Answer ***briefly*** each of the following questions : (2x10=20)

(a) What is an indifference map?
(b) Define national income.
(c) What is average propensity to save?
(d) Define cross elasticity of demand.
(e) Define monopsony.
(f) Distinguish between tax revenue and non-tax revenue of the government.
(g) What do you mean by money flow? How is it different from real flow?
(h) Explain the meaning of social cost with the help of an example.
(i) Differentiate between time deposit and demand deposit.
(j) What do you mean by revaluation of currency?

PART II

(Answer ***any five*** questions)

Question 2:

(a) Why does a demand curve slope downwards?
(b) Distinguish between monopoly and oligopoly.
(c) State the exceptions to the law of supply.

(6+3+3=12)

Question 3:

(a) Discuss the relationship between total product and marginal product with the help of a diagram.
(b) Explain the determination of consumer's equilibrium with the help of indifference curve.
(c) Examine the behaviour of total revenue, average revenue and marginal revenue as the level of sales increases in an imperfect form of market.

(3+6+3=12)

Question 4:

(a) State and explain the law of equi-marginal utility with the help of a numerical example.
(b) Draw and explain the shape of the demand curve having unit elasticity throughout its length,
(c) Classify the following into fixed cost and variable cost. Give reason for your answer: -

(i) Expenses incurred on raw materials.
(ii) Interest on capital
(iii) Salaries to permanent employees.

(6+3+3=12)

Question 5:

(a) From the following data on the cost of production of a firm : -

Output	0	1	2	3	4	5	6
Total Cost	60	80	100	111	116	130	150

Calculate (i) AVC, (ii) AFC and (iii) MC.

(b) Discuss any three qualitative instruments of credit control.
(c) What do you mean by price ceiling? Explain the implications and effects of price ceiling with the help of a diagram.

(3+3+6=12)

Question 6:

(a) Explain two secondary functions of money.
(b) Explain the methods of redemption of public debt.
(c) The consumption function of an economy is given as follows: -

$$C=400+0.9Y$$

and autonomous investment is RS. 4000. Calculate:

(i) Equilibrium level of national income.
(ii) Consumption expenditure and saving at equilibrium level of national income.

(3+6+3=12)

Question 7:

(a) The market demand for a good at Rs. 5 per unit is 100 units. When price changes, market demand rises to 150 units. Find out the new price, if price elasticity of demand is -2.5.
(b) Explain the reasons behind operation of increasing returns, diminishing returns and negative returns in a short-run production function.
(c) What is a budget line? Will a budget line change if a consumer's income fall?

(3+6+3=12)

Question 8:

(a) What do you mean by deficit financing?
(b) Why are the following not included in the estimation of national income?

(i) Purchase of second-hand machine from a domestic firm
(ii) Purchase of new shares of a domestic firm.
(iii) Scholarship to students by the government.

(c) Explain the components of aggregate demand of an economy.

(3+3+6=12)

Question 9:

(a) What do you mean by monetary base?
(b) Explain any two causes of disequilibrium in the balance of payments,

(c) In a four-sector economy model, discuss the circular flow of income with leakages and injections.

(3+3+6=12)