



## PON VIDYASHRAM GROUP OF CBSE SCHOOLS

### VACATION HOME TEST (2017-2018)

STD XII

ECONOMICS

#### General Instructions:

1. All questions in both sections are compulsory. However, there is internal choice in some questions.
2. Marks for questions are indicated against each question.
3. 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.
4. Question Nos. 5-6 and 17-18 are short answer questions carrying 3 marks each. Answers to them should not normally exceed 60 words each.
5. Question Nos. 7-9 and 19-21 are also short answer questions carrying 4 marks each. Answers to them should not normally exceed 70 words each.
6. Question Nos. 10-12 and 22-24 are long answer questions carrying 6 marks each. Answers to them should not normally exceed 100 words each.
7. Answers should be brief and to the point and the above word limit should be adhered to as far as possible.

#### SECTION A

1. In phase I of the law of variable proportions, total product: (1)  
(a) falls (b) becomes negative  
(c) increases at an increasing rate (d) decreases at a diminishing rate
2. A situation of excess demand prevails at a: (1)  
(a) price lower than the equilibrium price  
(b) price higher than the equilibrium price  
(c) price equal to the equilibrium price  
(d) none of the above
3. Which of the following costs can never be zero? (1)  
(a) Total variable cost (b) Average fixed cost  
(c) Average variable cost (d) None of the above

4. Keeping health of the public in mind, the government imposes heavy tax on the consumption of a good. Its restricted consumption will be determined by whether its price elasticity of demand is: (1)

- (a) = 1                      (b) > 1                      (c) < 1                      (d) Zero

5. Economic slowdown in some parts of the world has adversely affected the demand for Indian exports. What will be its effect on the production possibilities frontier of India? Explain. (3)

6. Find out (a) Explicit cost, and (b) Implicit cost from the following: (3)  
(₹ in thousands)

(a) Investment in fixed assets	4,000
(b) Borrowings at 12% interest per annum	3,000
(c) Estimated annual value of the management services of the owner	480
(d) Wages paid during the year	240
(e) Annual depreciation	200
(f) Annual rental value of the owner's factory building	360

Or

Ajay likes chocolates. Chocolates sell for ₹ 30. He has already consumed 3 chocolates. His marginal utility from eating 3 chocolates is 140. Suppose further that for him the marginal utility of one rupee is 4. Should he consume more chocolates or stop consumption.

7. Distinguish between returns to factor and returns to scale. (4)

Or

AR curves under both monopolistic competition and monopoly are downward sloping but under one market, it is steeper and under one market, it is flatter. Why is there such a distinction between the two? Explain. (Use diagram)

8. A consumer buys 10 units of a commodity at a price of ₹ 10 per unit. He incurs an expenditure of ₹ 200 on buying 20 units. Calculate price elasticity of demand by the percentage method. Comment upon the shape of the demand curve based on this information. (Use diagram) (4)

9. Demand for petrol has increased. However, supply cannot be increased due to heavy import costs. Explain the measures the government can adopt to reduce the demand for petrol. (4)

10. Suppose the market determined rent for apartments is too high for common people to afford. If the government comes forward to help those seeking apartments on rent by imposing control on rent, what impact will it have on the market for apartments? (6)

Or

Why does the difference between average total cost and average variable cost decrease as the output is increased? Can these two be equal at some level of output? Explain.



11. Suraj starts his coffee stall, where he has to pay a monthly rent of ₹ 7,500 to the shop owner. After 6 months, he realizes that his revenue is not enough to cover his rent. Would you suggest him to shut down his business or not and why. Explain with the help of a diagram. (6)
12. The market for motorcycles is in equilibrium. Suppose the price of steel parts (used in motorcycles) increases. Explain the effect of rise in the price of steel parts on the equilibrium price and quantity of motorcycles. (Use diagram) (6)

### SECTION B

13. Goods produced for the satisfaction of wants are called: (1)  
 (a) capital goods (b) intermediate goods  
 (c) consumption goods (d) producer goods
14. Which of the following is the money value of total output produced in an economy? (1)  
 (a) Private income (b) National income  
 (c) Personal disposable income (d) None of the above
15. Balance of trade is equal to (1)  
 (a)  $X - M$  (b)  $X + M$   
 (c) Both (a) and (b) (d) None of the above
16. Balance of payment deficit is based on: (1)  
 (a) capital account transactions (b) autonomous transactions  
 (c) current account transactions (d) accommodating transactions
17. During a given year, nominal national income increased by 14% whereas real national income increased by only 6%. Population increased by 2%. What has caused the difference between nominal income and real income? What is the real per capital income? (3)
18. In the city of Agra lies one of the seven wonders i.e., Taj Mahal. But, with the proceeding years, its marbles are turning yellow in colour. A lot of factories are set up in Agra. Explain the concept mentioned in the above lines. (3)

Or

Find net value added at factor cost:

	(₹)
(a) Sales	100 lakhs
(b) Closing stock	20 lakhs
(c) Excise duty	15 lakhs
(d) Opening stock	10 lakhs
(e) Depreciation	12 lakhs

19. Explain the relationship between income, consumption and APC using a schedule and diagram. (4)
20. Give two reasons which led to an inflationary gap in the economy and state its two effects. (4)

Or

Give two reasons which led to a deflationary gap in the economy and state its two effects.

21. 'Jan Dhan Yojna' aimed at every household in the country to have at least one bank account. The government aimed at providing bank facilities to poor people. Explain how deposits made under the plan are going to affect national income of the country. (4)
22. (1) Find (a) Fiscal deficit, and (b) Primary deficit from the following information: (6)

	(₹ in crores)
1. Revenue expenditure	70,000
2. Borrowings	15,000
3. Revenue receipts	50,000
4. Interest payments	25% of revenue deficit

- (2) Categorise the following government receipts into revenue receipts and capital receipts. Give reasons:
- (i) Borrowings from the public
  - (ii) Profits of PSUs
  - (iii) Receipts from the sale of shares of PSUs

Or

Given the consumption function  $C = 100 + 0.75Y$  and the autonomous expenditure as ₹ 1,100, calculate:

- (i) Equilibrium level of income
  - (ii) Consumption at the equilibrium level of income
  - (iii) Investment multiplier
23. Recently, the rate of dollars has shot up and the Indian rupee has become very weak against dollars. What does this indicate? Use a numerical example. Also explain its effect on the economy and balance of trade of the country. How will the RBI control this situation? (Use diagram) (6)

