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ST. LAWRENCE HIGH SCHOOL



Selection Test- 2018

Subject: Economics Model Answer

Class: XII

F. M. 80

Duration: 03 hours 15 minutes

Date: 10.11.18

Group – A

1. Select the correct answer from the alternatives: 1x10=10

i) The average cost curve in the short run is

a) concave, b) downward sloping, c) upward rising, d) U shaped

Ans: d) U-shaped

ii) The primary reason for income inequality in India is

a) Population growth b) inflation c) black money, d) unemployment

Ans: d) unemployment

iii) Disguised unemployment is generally found to exist in the

a) Agricultural sector b) industrial sector c) banking sector d) transport sector

Ans: a) Agricultural sector

iv) The difference between the maximum and the minimum values of a set of observations is called

a) Standard Deviation b) Lorenz Ratio c) Variance d) Range

Ans: d) Range

v) If government expenditure increases by Rs. 1000 and if marginal propensity to consume is $\frac{4}{5}$, then national income will increase by

a) Rs. 1,000 b) Rs. 4,000 c) Rs.5,000 d) Rs. 10,000

Ans: c) Rs.5,000

vi) The sum of marginal propensity to consume and marginal propensity to save will be

a)1 b) 2 c) 3 d) 4.

Ans: a) 1

vii) The absolute value of price elasticity of demand at the equilibrium point of a monopolist will be

a) equal to 1 b) greater than 1 c) less than 1 d) infinite.

Ans: b) greater than 1

viii) If percentage change in price equals the percentage change in supply the value of price elasticity of supply is

a) 0 b) less than 1 c) 1 d) greater than 1

Ans: c) 1

ix) A firm reaches the shutdown point where

a) AC is minimum b) MR touches AVC at its minimum point c) MC is minimum d) MR intersects the AC

Ans: b) MR touches AVC at its minimum point

x) As output increases, average fixed cost

a) decreases b) increases c) remains fixed d) initially decreases and increases thereafter

Ans: a) decreases

Group-B

2. Answer the following questions (Alternatives are to be noted): 1 x 10=10

i) Write true or false: Risk can be prevented by insurance.

Ans: True

ii) Write true or false: Inequality of income is greater in urban areas than in rural areas.

Ans: True

OR

Write true or false: Seasonal unemployment is found to exist only in agriculture.

Ans: False

iii) Determine the range of the following values: 119, 213, 79, 98, 223, 117.

Ans: 144

OR

If a study on a number of students shows that they are all of the same age, what will be the value of standard deviation of their age?

Ans: 0

iv) Write true or false: A monopolist is called a price taker.

Ans: False

v) Fill in the blank: If supply is perfectly inelastic, the supply curve will be

Ans: Vertical

OR

Fill in the blank:

If price of factors of production, the supply curve shifts to the right.

Ans: decreases

vi) Fill in the blank : For recommending reforms in the financial sector committee was set up.

Ans: Narasimham

vii) Fill in the blank: Acute is seen in the distribution of ownership of agriculture land in India.

Ans: inequality

viii) Fill in the blank: The maximum value of Lorenz Ratio is

.....

Ans: 1

ix) Fill in the blank: In the mark-up system, average cost of production + planned profit=.....

Ans: Price

OR

Fill in the blank: In the mark-up theory it is assumed that the long-run supply curve industry is

Ans: horizontal

x) Write true or false: In a perfectly competitive market, a buyer or a seller does not have the freedom to enter the market or exist from the market.

Ans: False

OR

Write true or false: Each firm in a monopolistically competitive market sells a homogeneous product.

Ans: True.

Group-C

Answer the following questions (alternatives are to be noted)

-2x10=20

a) Mention two exceptions of law of demand.

Ans: i) Veblen effect

ii) Future price expectation

OR

What is meant by Giffen good?

Ans: When the income effect for any inferior good is stronger than the substitution effect then that inferior good is known as Giffen good

b) What is the meaning of perfectly inelastic demand?

Ans: When there is no change in demand due any kind of change in price then it will be known as perfectly inelastic demand curve.

c) State the relation between average and marginal cost of production.

Ans: i) When AC decreases then MC is less than AC.

ii) When AC is minimum then MC is equal to AC

iii) When AC increases then MC is greater than AC.

OR

Give two examples of variable cost of a firm.

Ans: Wages of labourers and raw material cost

d) What is a deficit financing?

Ans: The deficit budget is covered by taking loans from the non bank public, commercial banks, non bank financial institutions and the central bank. This is called deficit financing.

OR

Mention two fiscal measures to control inflation.

Ans: i) reducing government expenditure

ii) increasing tax

e) Define standard deviation.

Ans: It is the square root of the A.M of squares of deviations from A.M.

OR

Mention any one advantage and one disadvantage of range as a measure of dispersion.

Ans: Advantage: it is simple to calculate.

Disadvantage: it is not based on all observations.

f) What is the meaning of dispersion?

Ans: It measures numerically the extent by which individual observations deviate from the central value on the average.

g) What is technological unemployment?

Ans: When new labour saving technologies are introduced, employment in the economy may fall and there may rise unemployment. This is called technological unemployment.

OR

Mention two causes of poverty in India.

Ans: i) low level of national income and ii) massive unemployment

h) Mention two advantages which India enjoys as a member of World Trade Organisation.

Ans: i) India's export of agricultural goods will increase.

ii) export of agro based industrial goods also increases

i) Why is general insurance called contract of indemnity?

Ans: If there is no loss of property there is no question of giving any compensation.

j) What do you mean by SAP?

Ans: Structural adjustment programme.

Group-D

4. Answer the following questions (Alternatives are to be noted):

5 x 8=40

a) Explain the relation between average and marginal product.

Ans: Definition of AP and MP. Then relation:

- i) When AP increases then MP is greater than AP.
- ii) When AP is maximum then MP is equal to AP.
- iii) When AP decreases then MP is less than AP.

OR

Give an account of the external and internal economies arising out of large scale production.

Ans: Definition of external and internal economies.

Then short note on technical, marketing, financial, risk spreading, managerial economies.

Also brief note on economies of localisation, economies of information, economies of specialisation.

b) Explain how a firm reaches long run equilibrium in a perfectly competitive market.

Ans: Diagrammatical explanation of $P=LAC=LMC=MR$.

Explanation of normal profit.

OR

Show how the price of a commodity is determined in a perfectly competitive market.

Ans: Price of a commodity is determined in a perfectly competitive market by the interaction of demand and supply curves of a firm.

Diagrammatical explanation

c) Discuss the modern theory of rent.

Ans: Definition of modern theory rent.

Brief concept of transfer earning and economic rent.

OR

Explain how the wage rate is determined by marginal productivity of labour.

Ans: Definition of marginal productivity of labour.

Assumptions and diagrammatic explanation.

d) Explain how national income is obtained by value added method.

Ans: Definition of national income.

If there are n number of commodities are produced in an economy then value added method adds all these commodities values. Explanation with examples and limitations.

e) Discuss the functions of central bank.

Ans: Six major functions :

- i) monopoly of note issue, ii) banker of the government, iii) banker of banks', iv) gold and foreign exchange reserves, v) controller of credit, vi) publisher of economic statistics.

Explanation of all these points.

f) Show the difference between fixed and flexible exchange rate system.

g) Ans: Definition and differences points explanation of fixed and flexible exchange rate system.

OR

What are the methods of correcting deficit in balance of payment?

Ans: i) expansion of export and ii) control of import.

Explanation of these two points.

h) Find the standard deviation of the numbers 4, 8, 10, 12, 16.

Ans: Mean = 10

Variance = 16

S.D = 4

h) Briefly discuss the features of different types of unemployment in India.

Ans: Brief explanation of rural, urban, voluntary, involuntary, seasonal, structural, frictional, educated, technological unemployment.

OR

What are the causes of income inequalities in India?

Ans: i) unemployment, ii) tax evasion, iii) capitalist feature, iv) increase in price.

Explanation of all these points.