



ST. LAWRENCE HIGH SCHOOL



Pre- Test- 2019 (Model Answer)

Subject: Economics

Class: XII (B,C,D)

F. M. 80

Duration: 03 hours 15 min

Date: 05.8.2019

Group – A

1. Select the correct answer:

1 x 10 = 10

i) The value of perfectly inelastic supply curve is _____

a) 1 b) 2 c) 0 d) -1.

Ans: c) 0

ii) If percentage change in price equals the percentage change in demand the value of price elasticity of demand is _____

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

Ans: c) 1

iii) In duopoly market there exists _____

a) one seller b) two sellers c) three sellers d) few sellers

Ans: b) two sellers

iv) Monopoly Enquiry Commission was first established in India in the year _____.

a) 1984 b) 1962 c) 1994 d) 1964.

Ans: d) 1964

v) As output increases, average fixed cost _____

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

Ans: a) decreases

vi) A firm reaches the breakeven point where

a) AC is minimum b) AVC is minimum c) MC is minimum d) MR intersects the AC

Ans: a) AC is minimum

vii) The primary reason for income inequality in India is

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

Ans: d) Unemployment

viii) 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

ix) 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

x) 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

Group-B

2. Answer the following questions :

1 x 10=10

i) Fill in the blank: If demand is perfectly elastic, the demand curve will be

.....

Ans: horizontal

ii) Write true or false: For luxury goods income elasticity is negative

Ans: False

iii) Fill in the blank: If price of factors of production, the supply curve shifts to the right

Ans: Decreases

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

Ans: True

v) Determine the range of the following values: 110, 113, 99, 90, 123, 119.

Ans: 33

vi) Write true or false: In a perfectly competitive market, price equals marginal revenue.

Ans: True

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

Ans: False

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

Ans: False

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

Ans: inequality

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

Ans: False

Group-C

3. Answer the following questions

2x10=20

a) What do you mean by Veblen effect?

Ans: Sometimes consumers judge the quality of a product by its price. This is known as Veblen effect. This is one of the exception of law of demand.

b) State the relation between average and marginal revenue

Ans: i) When AR falls then $MR < AR$.

ii) When AR is same then $MR = AR$.

iii) When AR increases then $MR > AR$

c) What is the meaning of positive cross price elasticity?

Ans: When the two goods are substitute to each other then if the price of one commodity increases then the demand of other commodity will also increase. This is known as positive cross price elasticity. For example tea and coffee.

d) Give two examples of variable cost of a firm.

Ans: Two examples of variable cost are wages, raw materials cost.

e) Distinguish between profit and other factor incomes.

Ans: a) profit is residual income but other factor incomes are contractual income.

b) profit can be zero or negative but other factor incomes can not be zero or negative.

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

Ans: Advantage of range:.. It is easy to calculate

Disadvantage of range It is not based on all observations.

g) What is the meaning of marginal cost?

Ans: Change in total cost due to change in production of one unit of output is known as marginal cost.

h) What is disguised unemployment?

Ans: In agricultural sector if there exist extra labour whose marginal productivity is zero is known as disguised unemployment.

i) Mention two causes of income inequality in India.

Ans: Two causes of income inequality are:

- a) Increasing rate of unemployment
- b) Evasion of taxes.

j) Mention two determinants of elasticity of demand.

Ans: Two determinants of elasticity of demand are

- a) Price of the commodity
- b) Nature of the commodity

Group-D

4. Answer the following questions:

5x8=40

a) Give an account of the three stages of production.

Ans: Three stages of production:

- a) Stage of increasing returns,
- b) Stage of diminishing returns,
- c) Stage of negative returns ---- Diagrammatic explanation of each stage.

b) Derive long run equilibrium of a firm under perfect competition.

Ans: Long run equilibrium of a firm under perfect competition-----
Diagrammatic explanation.

c) Show how the short-run supply curve of a perfectly competitive firm can be derived from its marginal cost curve.

Ans: Definition of short run supply curve. Then explanation of shutdown and break-even point. Diagrammatic explanation.

d) State law of demand. What are its exceptions?

Ans: Other things remaining constant there exists negative relationship between price of the commodity and its quantity demanded.

Exceptions:

i) Giffen goods, ii) Veblen effect, iii) Future price expectation, iv) Share market, v) Habitual goods

Explanation of each point.

Type a message...

e) Define price elasticity. What are its different types? Show that price elasticity varies from zero to infinity along a straight line demand curve.

Ans: Price elasticity of demand means percentage change in quantity demanded due to percentage change in price of the commodity.

It may be of five types:

i) perfectly elastic demand, ii) perfectly inelastic demand, iii) unitary elastic demand, iv) elastic demand, v) inelastic demand.

Diagrammatic Explanation of variation of price elasticity from zero to infinity along a straight line demand curve.

f) What do you mean by supply schedule? Distinguish between change in supply and change in quantity supplied.

Ans: The tabular representation of the relationship between price of the commodity and its quantity supplied is known as supply schedule.

When the entire supply curve shifts its position it is known as change in supply.

Again when we move along the same supply curve from one point to another then it is known as change in quantity supplied.

Diagrammatic Explanation

g) What are the causes of unemployment in India?

Ans: Any five points of causes of unemployment in India with proper explanation of each point.

h) Briefly discuss about different poverty alleviation programmes taken by Government of India.

Ans: 5 measures taken by Govt of India for the poverty alleviation programmes in India- explanation of each measure.