



ST. LAWRENCE HIGH SCHOOL



A JESUIT CHRISTIAN MINORITY INSTITUTION

Model Answer Selection Test- 2019

Subject: Economics

Class: XII

F. M. 80

Duration: 03 hours 15 minutes

Date: 18.11.19

Group – A

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

i) The necessary condition for profit maximization of any firm is

a) $MR=MC$, b) $MR>P$, c) $MR<MC$, d) MC slopes downward

Ans: a) $MR=MC$

ii) 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

iii) Monopoly Enquiry Commission was established in India in the year.

a) 1980 b) 1986 c) 1991 d) 1964.

Ans: d) 1964

iv) 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

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) What is measured by the Head Count Ratio?

a) National Income, b) Unemployment, c) Poverty, d) inflation

Ans: c) Poverty

viii) The primary reason for income inequality in India is

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

Ans: d) unemployment

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) If the given values of a variable are all equal to 2, then its standard deviation is

a) negative b) zero c) positive d) 2

Ans: b) zero

Group-B

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

1 x 10=10

i) Write true or false: If there are losses of crops due to drought, the supply curve of an agricultural product will be downward sloping.

Ans: False

ii) Write true or false: The monopolist is a price maker.

Ans: True

OR

Write true or false: Under monopoly price is always equal to marginal cost.

Ans: False

iii) If 10 is added to each value of a variable, its standard deviation will remain

Ans: Same

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: Zero

iv) Fill in the blank: In 1993 Committee was set up for reform in the insurance sector in India.

Ans: Malhotra

v) Write true or false: Mahalanobis Committee was appointed for reform in India's financial sector.

Ans: False

OR

Write true or false: New India Assurance Company Ltd. Is a private sector insurance company.

Ans: True

vi) Fill in the blank: Income inequality in India has during the plan period.

Ans: Increased

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

OR

Greater is the value of Gini coefficient will be the magnitude of inequality in income distribution.

Ans: Greater

ix) 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: Each firm in a monopolistically competitive market sells a homogeneous product.

Ans: False

Group-C

3. Answer the following questions (alternatives are to be noted)

2x10=20

a) Mention two exceptions of law of demand.

Ans: a) Veblen effect and b) Giffen good

OR

What is meant by inferior good?

Ans: When price of a good falls then people will buy less of that good then that good is known as inferior good.

b) What is the meaning of own price elasticity of demand?

Ans: Percentage change in quantity demanded due to percentage change in price is known as own price elasticity of demand.

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

Ans: i) when AC decreases then $MC < AC$.

ii) When AC is minimum then $MC = AC$.

iii) when AC increases then $MC > AC$.

OR

Give two examples of fixed cost of a firm.

Ans: Rent, insurance premium.

d) What is a contractionary fiscal policy?

Ans: Fiscal policy which aims at reducing the effective demand is known as contractionary fiscal policy.

OR

What is government expenditure multiplier?

Ans: $1/1-b$ is known as government expenditure multiplier.

e) Define Lorenz curve.

Ans: Lorenz curve is a cumulative percentage curve in which the percentage of frequency or persons is combined with the percentage of items like income, wealth, profits, wages etc.

OR

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

Ans: Advantage: Range is easy to understand.

Disadvantage: Range is not based on all observations.

f) Why is life insurance called contract of assurance?

Ans: In case of life insurance the insurer gives the assurance of payment of a certain sum of money either to the insured or to the nominee of the insured. So life insurance is called contract of assurance

g) What is technological unemployment?

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

OR

Mention two causes of income inequality in India.

Ans: i) unemployment and ii) tax evasion.

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 are likely to increase.

i) What do you mean by liberalisation of foreign trade?

Ans: In 1991 Indian economy was liberalized. This is known as liberalisation of foreign trade

j) What do you mean by SAP?

Ans: In order to meet the deficit in the balance of payments India had to take loans from the IMF. When granting loans IMF imposed some conditionalities. Accepting these conditionalities India adopted a programme known as SAP.

Group-D

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

5 x 8=40

a) Explain the short run law of variable proportions in the process of production.

Ans: Explanation of short run law of variable proportions in the process of production with diagram.

OR

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

Ans: Explanation of different types of external and internal economies arising out of large scale production.

b) Explain the features of a perfectly competitive market.

Ans: Explanation of all the features of a perfectly competitive market point wise.

c) Discuss Ricardian theory of rent.

Ans: Explanation of Ricardian theory of rent both scarcity and differential rent with the assumptions and criticisms.

OR

Explain the liquidity preference theory of interest.

Ans: Explanation of liquidity preference theory of interest with diagram and criticisms.

d) Explain with a diagram, the concept of circular flow of income.

Ans: Diagrammatic explanation of the concept of circular flow of income.

OR

Discuss the problems of measuring national income in India.

Ans: Explanation of all the problems of measuring national income in India point wise.

e) Explain the selective credit control process of central bank.

Ans: Explanation of selective or qualitative credit control process of central bank point wise.

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

Ans: Mention four differences between fixed and flexible exchange rate system.

OR

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

Ans: Explanation of all the methods of correcting deficit in balance of payment.

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

Ans: By applying the formula of S.D the standard deviation of the numbers 4, 8, 10, 12, 16 will be 4.

h) Briefly discuss the measures taken by Govt. of India to solve the problem of unemployment in India.

Ans: Mention the important measures taken by Govt. of India to solve the problem of unemployment in India.

OR

What are the causes of income inequalities in India?

Ans: Explanation of the causes of income inequalities in India point wise.