

KRISHNAGAR ACADEMY

Half Yearly Examinations Phase II

Class: XII

Subject: Economics

FM 50

Attempt all questions from Part I and any three questions from Part II

PART I

(Attempt all questions)

(7x2=14)

Question 1

- a) Classify the following into **fixed cost** and **variable cost**. Give reasons:
 - i) Rent for a land
 - ii) Cost of raw material
 - iii) Payment for transportation of goods
 - iv) Minimum telephone bill
- b) Identify the **market** forms:
 - i) Issue of currency notes by RBI
 - ii) Goods sold are homogeneous
 - iii) Market for soaps in India
 - iv) Warships purchased by Indian Government
- c) With a proper illustration, show the impact of a rise in sales tax on the supply curve of a commodity.
- d) Demand remaining unchanged, what is the effect of change in supply on the equilibrium price and output – Show by **two** different diagrams.
- e) In which stage should a rational producer operate. Why?
- f) At a price of Rs30/unit, the quantity demanded of a commodity is 300 units. If price falls by 10%, its quantity demanded rises by 60 units. Calculate its e_p .
- g) Draw TFC, TVC and TC Curves in a single diagram and comment on their shapes.

PART II

(Attempt any three questions)

Question 2

- a) Differentiate between Perfect Competition and Monopolistic Competition on the following grounds:
 - i) Degree of price influence
 - ii) Nature of products sold
 - iii) Existence of selling cost
- b) Discuss the elasticity of demand on
 - i) a commodity which has many substitutes
 - ii) a small part of individual's income spent on a commodity
 - iii) multiple uses of a commodity
- c) How does AR and MR behave with change in TR under imperfect competition ----- explain though proper schedule and illustration. (3+3+6=12)

Question 3

- a) Give reasons. State whether the following statements are True or False:
 - i) When there are diminishing returns to a factor, total production always decreases.
 - ii) Total Product will increase only when marginal product increases.
 - iii) Marginal Product cuts AP from its top.

b) From the following data, find AFC, AVC, MC.

Output(Unit)	0	1	2	3	4	5
TC(Rs)	30	90	110	120	140	180

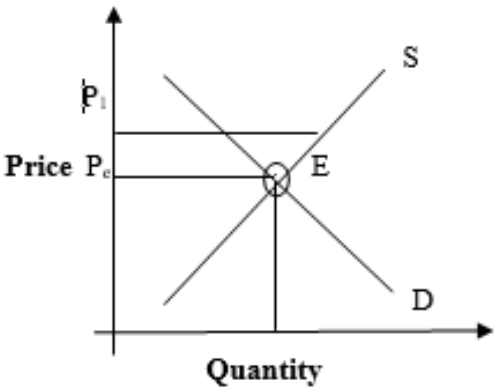
c) Through proper schedule and illustration, explain the behavior of TP, AP and MP in the short – run. (3+3+6=12)

Question 4

- a) Give reasons:
- i) Why is MC Curve U - shaped?
 - ii) Why does inferior goods have negative income – elasticity of demand?
 - iii) Why is $AFC \neq 0$?
- b) i) How is the supply curve of labour different from the supply of goods? (draw diagrams in each case)
- ii) The demand for a good at a price of Rs 10/unit is 40 units. Price falls by Rs 5. If price elasticity of demand is (-) 3, calculate the new quantity demanded.
- c) What will be the impact on equilibrium price and output if demand and supply both decreases simultaneously. (give proper illustrations of the same) (3+3+6=12)

Question 5

- a) How does Cross Elasticity of demand vary for substitutes and complementary goods. (Give proper illustrations)
- b) Study the diagram given below and answer the questions that follow:



- i) P_e is the equilibrium price. What would prompt the government to fix the price at P_1 ?
 - ii) What would be the effect of fixing the price at P_1 ?
- c) Through neat and labeled diagrams, elucidate the following concepts:-
- i) Five different point elasticities on a non – linear supply curve
 - ii) Five different point elasticities on a linear demand curve touching the two axes. (3+3+6=12)

Question 6:

- a) How is market cleared of its supplies – explain with proper illustration.
- b) Derive a market supply curve for 100 firms by plotting an indivual supply schedule of firm A selling apples
- c) I) complete the following table:

Units Sold	TR	MR	AR
1	10	10	
2			9
3	24		
4		4	7
5	30		6
6	30	0	
7	28		4
8		-4	3

ii)When the market price of cheese rises from ₹20/Kg to ₹21/Kg, a producer expands his supply from 3000Kg to 3500Kg. Calculate the price elasticity of supply. (3+3+6=12)