KENDRIYA VIDYALAYA BAMRAULI
PERIODIC TEST- I
ECONOMICS

MAX. MARKS-50

SESSION: 2017-18

CLASS-XII TIME 1:30 HRS

GENERAL INSTRUCTIONS:

1. All questions in both the sections are compulsory.
2. Question Nos. 1-4 are very short- answer questions carrying 1 mark each. They are required to be answered in one sentence each
3. Question Nos. 5-8 are short-answer questions carrying 3 marks each. Answer to them should not normally exceed 60 words each.
4. Question Nos. 9-12 are also short- answer questions carrying 4 marks each. Answer to them should not normally exceed 70 words each.
5. Question Nos. 13-15 are long-answer questions carrying 6 marks each. Answer to them should not normally exceed 100 words each.

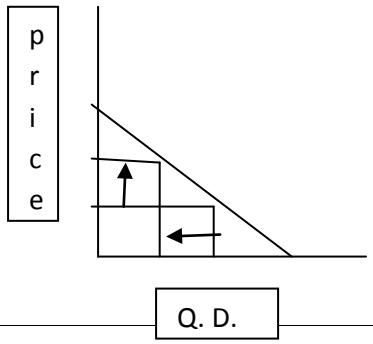
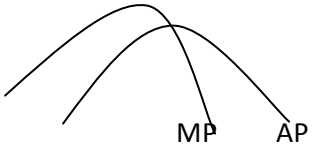
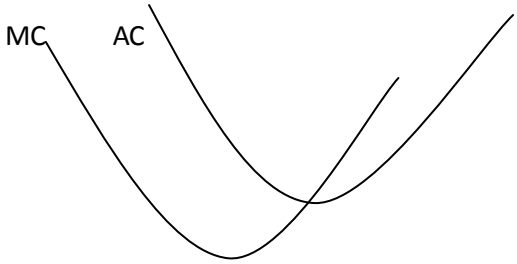
1. Define Normative Economics. 1
2. Define monotonic preference. 1
3. What do you mean by Veblen Goods? 1
4. Define long run production function. 1
5. Ice creams sell for Rs30. Lakshmi who loves ice cream has already eaten 3. She gets 90 utils utility from the consumption of 3rd ice cream and for her utility of one rupee is 3 utils. Should she eat more ice cream or should she stop?Why? 3
6. What will be the impact of GST on PPC? 3
7. Distinguish between the MRT and MRS. 3
8. According to IC-approach,a consumer is in equilibrium only at that point at which Budget line touches Indifference curve.Why? 3
9. Explain the law of demand with numerical example and diagram. 4
10. State whether ,followings are true or false with reason- 4
    (i)When AP increases MP always increases.
    (ii)When MC is below AC,MC always decreases.
11. Complete the following table- 4

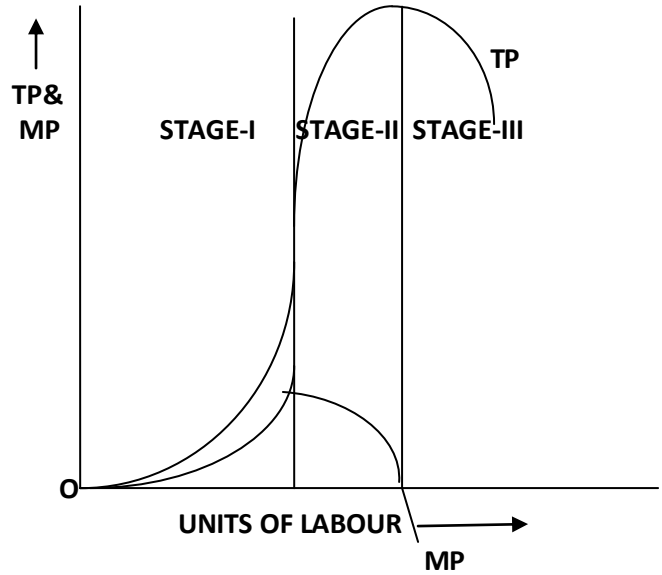
OUTPUT(UNITS)	TVC(Rs)	AVC(Rs)	MC(Rs)
1	20	-	-
-	-	16	12
3	54	-	-
-	-	20	26

12. A consumer purchases 18 units of a good at a price Rs 9/unit.How many units the consumer will buy at a price of Rs 10/unit if Ed=-1? 4
13. Explain the law of variable proportions with numerical example and diagram. 6
14. Explain the relation between the MC and TC with numerical example and diagram. 6
15. Explain the relation between MR,AR,TR when price is not constant with numerical example and diagram. 6

MARKING SCHEME

Q. NO.	VALUE POINTS	MARKS
1	**NORMATIVE ECONOMICS**→ is that branch which studies the way in which an economy should work under normal circumstances.	1
2	**MONOTONIC PREFERENCE→** A consumer's preferences are said to be monotonic if he/she prefers that bundle of two goods which has more units of at least one good and no less of other as compared to other bundle.	1
3	**VEBLEN GOODS→**These are status symbol goods, in case of which law of demand is not applicable.	1
4	**LONG RUN PRODUCTION→**It studies the functional relationship between physical input and physical output in long run.	1
5	**A** consumer is said to be in equilibrium at that level of consumption at which-**MUx/Px=Mum** Here when she consumes 3 units of ice cream- MUx/Px=90/30=3 &Mum=3 =>MUx/Px=Mum=3 So ,since she is in equilibrium,she will stop the consumption.	3
6	**PPC** will not change because neither resources nor technology will change due to GST.(Diagram of PPC)	3
7	**MRT** 1.It if related to producers. 2.It is the slope of PPC. 3.It increases as production is increased. **MRS** **1.It** is related to consumers. 2.It is the slope of IC. 3.It decrease as consumption is increased.	1 1 1
8	**I**t is because the point at which budget line touches IC curve, shows that attainable combination which can provide maximum satisfaction. All other points are showing either those combinations which provide lower level of satisfaction or unattainable.	3

9	**It** states that if other determinants are constant then due to increase in the price of a commodity it's quantity demanded decreases and vice-versa. PRICE(Rs) / Q.D.(Units): 10/4, 20/3, 30/2, 40/1 	4
10	**i)**It is a false statement because when AP increases then MP initially increases then it decreases.  ii) **I**t is a false statement because when MC is below then AC then MC initially decreases then it increases also. 	2 2
11	**AVC**1=20/1=20Rs MC1=20-0=20Rs TVC2=20+12=32Rs Q2=32/16=2Units AVC3=54/3=18 Rs MC3=54-32=22Rs TVC4=54+26=80Rs Q4=80/20=4Units	1/2*8 =4
12	**-1**=(ΔQ/1)*(9/18) =>ΔQ=-18/9=-2 ΔQ=Q1-Q =>-2=Q1-18 =>Q1=16 Units	4
13	**This** law states that if keeping capital constant more and more units of labour are employed then initially TP increases at increasing rate ,then it increases at decreasing rate and finally it decreases.	1



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K(UNITS)	L(UNITS)	MP	TP	
1	1	2	2	STAGE-I
1	2	4	6	
1	3	6	12	
1	4	4	16	STAGE-II
1	5	2	18	
1	6	0	18	
1	7	-2	16	STAGE-III

2

STAGE-I→Increasing returns to a factor→TP increases,MP increases
STAGE-II→Decreasing returns to a factor→TP increases,MP decreases
STAGE-III→Negative returns to a factor→TP decreases,MP negative

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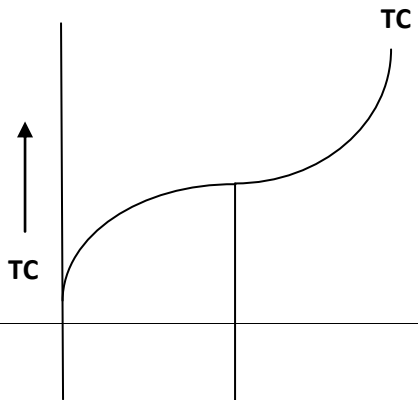
i)When MC decreases then TC increases at decreasing rate.
i)When MC increases then TC increases at increasing rate.



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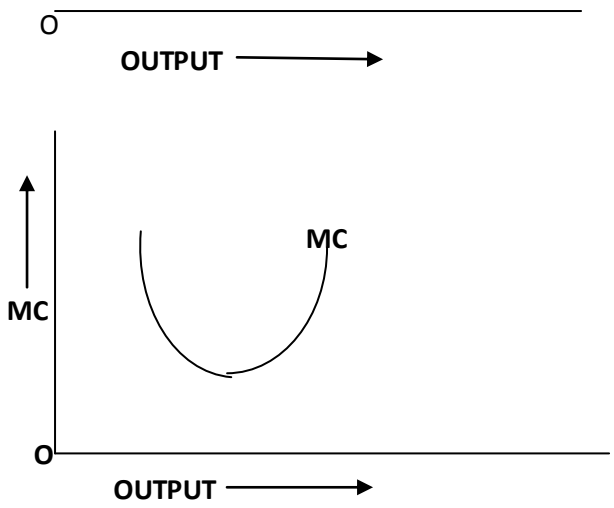

OUTPUT (UNITS)	MC(Rs)	TVC(Rs)	TFC(Rs)	TC(Rs)
1	**8**	**8**	**10**	**18**
2	**6**	**16**	**10**	**26**
3	**4**	**18**	**10**	**28**
4	**2**	**20**	**10**	**30**
5	**4**	**24**	**10**	**34**
6	**6**	**30**	**10**	**40**
7	**8**	**38**	**10**	**48**

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15

i)MR<AR =>AR decreases
ii)When MR is positive then TR increases
ii)When MR is zero then TR is maximum
ii)When MR is negative then TR decreases

1

OUTPUT (UNITS)	PRICE(Rs)	TR(Rs)	MR(Rs)	AR(Rs)
1	10	10	10	10
2	9	18	8	9
3	8	24	6	8
4	7	28	4	7

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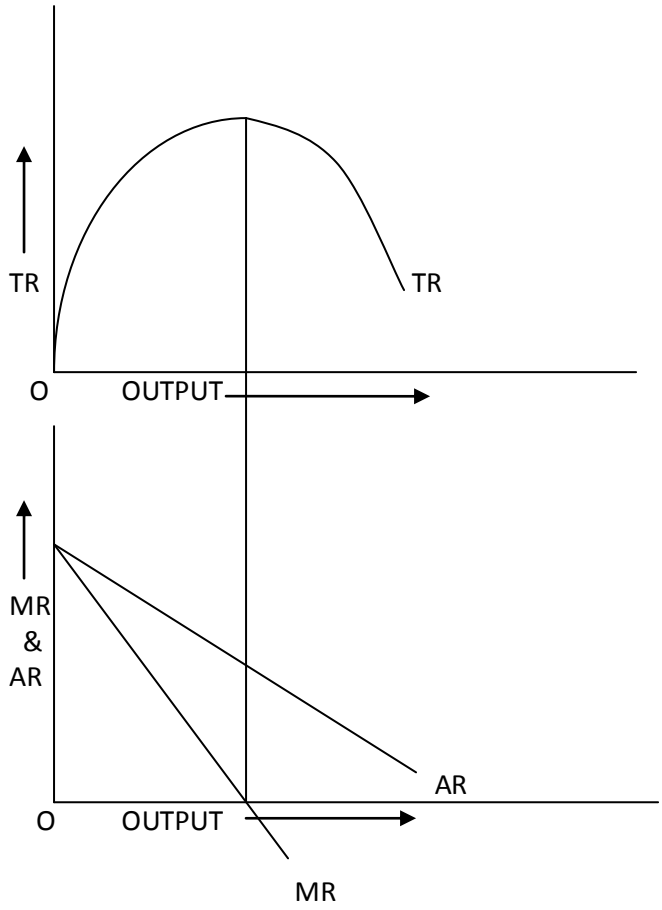
5	6	30	2	6
6	5	30	0	5
7	4	28	-2	4



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