

**ISC Question Paper 2009**  
**Economics**  
**Class - XII**

**PART – I**

**General Instruction:**

- (i) Answer all question in Part I and five questions from Part II.
- (ii). All working including rough work should be done on the same sheet as, and adjacent to the rest of the answer.
- (iii). The intended marks for questions or parts of questions are given in brackets [].  
(Material to be supplied: Log tables including Trigonometric functions)
- (iv). Candidates are allowed additional 15 minutes for only reading the paper. They must NOT start writing during this time.

**Q1. Answer briefly each of the questions (i) to (xv). [15x2]**

- (i) Mention two examples of macro-economic analysis.
- (ii) How does an increase in income, affect the quantity demanded of an inferior commodity?
- (iii) When does marginal utility become negative?
- (iv) Draw demand curves showing  
 $E_d=0$ ;  $E_d=\text{infinite}$
- (v) State two significant differences between extension in supply and increase in supply.
- (vi) Define average product. How can you get average product from total product?
- (vii) Differentiate between money cost and real cost.
- (viii) When can the  $AR = MR = \text{Price}$ ? Give reasons for your answer.
- (ix) Define the market which has product differentiation as a distinguishing characteristic.
- (x) What do you mean by collective bargaining?
- (xi) Mention two non tax sources of revenue of central government.
- (xii) What do you mean by transfer payment ? Give one example.
- (xiii) Discuss any one importance of a budget.

(xiv) Why do countries engage in international trade? Give two reasons.

(xv) Mention two adverse effects of an internal public debt.

## Part –II

### Answer any five question

**Q2. (a)** Explain with the help of diagrams how equilibrium price and quantity changes when both demand and supply decreases. [6]

**(b)** Define supply. Explain four factors affecting supply. [8]

**Q3. (a)** Explain the Ricardian Theory of Rent under extensive cultivation. [6]

**(b)** State and critically evaluate any four assumptions of Marginal Productivity Theory of Distribution.

**Q4. (a)** Enumerate four characteristics of perfect competition. [6]

**(b)** Discuss how is short run equilibrium attained by a perfectly competitive firm under the following situations:

(i) A firm incurring a loss.

(ii) A firm earning supernormal profit. [8]

**Q5. (a)** Explain how elasticity of demand help a producer, a finance minister, a monopolist and an exporter. [6]

**(b)** Discuss four causes for the inverse relationship between price and quantity demanded of a commodity. How are Giffen goods an exception? [8]

**Q6. (a)** Discuss four methods of debt redemption. [6]

**(b)** Define deficit financing . Explain four reasons as to why the government's expenditure has increased in recent years. [8]

**Q7. (a)** Explain the Ricardian theory of international trade. [6]

**(b)** Define Balance of payment. Discuss any four causes of disequilibrium in the Balance of Payment. [8]

**Q8. (a)** Explain the relationship between total product and marginal product using diagrams. [6]

**(b)** Why dose the total cost curve start from the Y axis in the short run? Explain the shape of LAC curve. [8]

**Q9. (a) (i)** How are the following treated in National Income calculations:

(1) Pension

(2) Income from sale of an old Television set. [2]

**(ii)** Estimate operating Surplus from the following data: [4]

	Rs. in crores
(1) Profit before tax	320
(2) Royalty	30
(3) Corporate tax	100
(4) Interest	415
(5) Rent	327
(6) Mixed income	510
(7) Dividend	200
(8) Indirect tax	180

(b) Explain briefly the steps involved in calculating National Income by expenditure method. Mention any two precautions which are required to be taken while calculating National Income by this method.