

THE SECOND COMPARATIVE EXAMINATION 2008

Class XII (ISC)

ECONOMICS

Time: Three hours

Maximum marks: 100

- * *Answers to this question paper must be written on the answer script provided separately.*
- * *The intended marks for questions or parts of questions are given in brackets [].*
- * *You are **NOT** allowed to write during the first 15 minutes. This time is to be spent in reading the question paper.*
- * ***The time given at the head of this paper is the time allowed for writing the answers.***
- * *Please do not write anything on your question paper except your name and roll number.*
- * *Do not copy the questions on your answer script but copy the correct question number.*
- * *This question paper consists of two parts, **Part I** and **Part II**. **Part I** is compulsory and from **Part II** attempt any five questions.*

PART I [30 marks]

Answer briefly each of the items (i) to (xv) in this question.

Question 1

- | | | |
|--------|--|-----|
| (i) | What is excess supply? | [2] |
| (ii) | Differentiate between prime cost and supplementary cost. | [2] |
| (iii) | What happens to TU when MU is zero? | [2] |
| (iv) | What is the effect on equilibrium price, if the increase in supply is more than increase in demand? | [2] |
| (v) | Differentiate between single use goods and durable use goods. | [2] |
| (vi) | Define domestic territory. | [2] |
| (vii) | What is budget line? | [2] |
| (viii) | Explain Quasi rent. | [2] |
| (ix) | Differentiate between pure profit and normal profit. | [2] |
| (x) | Why is LAC curve 'U' shaped? | [2] |
| (xi) | What is the relationship between GDP_{MP} and GNP_{MP} ? | [2] |
| (xii) | Give two similarities between indifference curve analysis and marginal utility approach. | [2] |
| (xiii) | What is the difference between firm and industry? In which market form does this difference disappear? | [2] |
| (xiv) | Explain why, income received from sale of second hand goods, bonds and shares are excluded from national income? | [2] |
| (xv) | What is monopsony? | [2] |

PART II [70 marks]
Attempt any five questions.

Question 2

- (a) Cost function of a firm is given below. Calculate: [8]

(i) TFC (ii) TVC (iii) AFC (iv) AVC (v) MC

| | | | | | | | |
|-----------------|----|----|-----|-----|-----|-----|-----|
| Output (units) | 0 | 1 | 2 | 3 | 4 | 5 | 6 |
| Total cost (Rs) | 60 | 80 | 100 | 111 | 116 | 130 | 150 |

- (b) Explain reasons for positive slope of supply curve. [6]

Question 3

- (a) Discuss degrees of price elasticity of demand. [8]

- (b) Define micro and macro economics. Show its interdependence. [6]

Question 4

- (a) Discuss and explain diagrammatically short run cost curves. [8]

- (b) Explain any four characteristics of monopoly. [6]

Question 5

- (a) Explain profit maximisation by marginal revenue and marginal cost approach. [8]

- (b) Discuss variation of output in the long run. [6]

Question 6

- (a) Explain three conditions of short run equilibrium of a firm under perfect competition. [8]

- (b) Discuss the difficulties faced in estimating national income in an underdeveloped country. [6]

Question 7

- (a) Discuss the modern theory of determination of wages. [8]

- (b) Give components of compensation of employees. Calculate compensation of employees from the following data: [6]

| | (Rs in crores) |
|--|----------------|
| (i) Wages and salaries in cash | 400 |
| (ii) Free food to employees during lunch | 10 |
| (iii) Total expenses on business tour reimbursed by employer | 25 |
| (iv) Dearness allowance | 20 |
| (v) Commission paid to sales staff | 10 |
| (vi) Interest free loan given to staff | 20 |

Question 8

- (a) Discuss factors affecting demand of a commodity. [8]
- (b) Explain and show diagrammatically long run equilibrium of firm under monopolistic competition. [6]

Question 9

- (a) Explain the Ricardian theory of rent. [8]
- (b) Explain any four external economies. [6]