



Class:ISC XII

Subject: ECONOMICS (Theory)

Date:

TIME:1 hr 30 mins

M MARKS:80

General instructions:

Read the following instructions carefully and strictly follow them:

- There are 28 questions in this questionpaper.
- All Questions of Section A and Section B are Compulsory.
- Each correct **question / sub-part of a question** carries 1 Marks.
- There is no negative marking.
- Specific instructions related to each part and a subdivision (Sections) is mentioned clearly before the questions. Candidates should read them thoroughly and attempt accordingly.
- Fill **OMR sheet with the pencil** given along with the Question paper .

Question 1

Interdependence between firms is a feature of which type of market?

- (a) Perfect Competition
- (b) Monopoly
- (c) Monopolistic competition
- (d) Oligopoly

Question 2

The average fixed cost at 10 units of output is ₹ 50. Average variable cost at 10 units of output is ₹ 100. Average cost of producing 10 units is:

- (a) ₹ 160
- (b) ₹ 120
- (c) ₹ 150
- (d) ₹ 500

Question 3

In which market form, there is perfect knowledge among buyers and sellers?

- (a) Perfect Competition
- (b) Monopoly
- (c) Monopolistic competition
- (d) Oligopoly

Question 4

In case of Giffen goods, the slope of the demand curve is:

- (a) Negative
- (b) Positive
- (c) Parallel to X-axis
- (d) Parallel to Y-axis

Question 5

Availability of close substitutes makes the demand:

- (a) Less elastic
- (b) More elastic
- (c) Completely elastic
- (d) Completely inelastic

Question 6

Which of the following is a true statement for a monopsonist?

- (a) It shows a specific form of the sellers' market.
- (b) The monopsonist faces the market supply curve of a product or a factor service.
- (c) The monopsonist faces the market demand curve of a product or a factor service.
- (d) There remain many buyers of the product or the factor service.

Question 7

What will be the elasticity of demand with respect to the following table?

| Price (₹) | Total Expenditure (₹) |
|-----------|-----------------------|
| 40 | 400 |
| 30 | 450 |

- (a) $E_p = 1$
- (b) $E_p = 0$
- (c) $E_p > 1$

(d) $E_p < 1$

Question 8

What does the following table indicate?

| Price (₹) | Quantity supplied (Kg) |
|-----------|------------------------|
| 10 | 15 |
| 20 | 40 |

- (a) An extension of supply curve
- (b) A contraction of supply curve
- (c) An upward shift of supply curve
- (d) A downward shift of supply curve

Question 9

Supply is more elastic in case of:

- (a) Very short period
- (b) Short period
- (c) Long period
- (d) Both (a) and (b)

Question 10

Indifference curves are convex to the origin because of:

- (a) Increasing MRS
- (b) DMRS
- (c) Law of DMU
- (d) Law of Equi-marginal utility

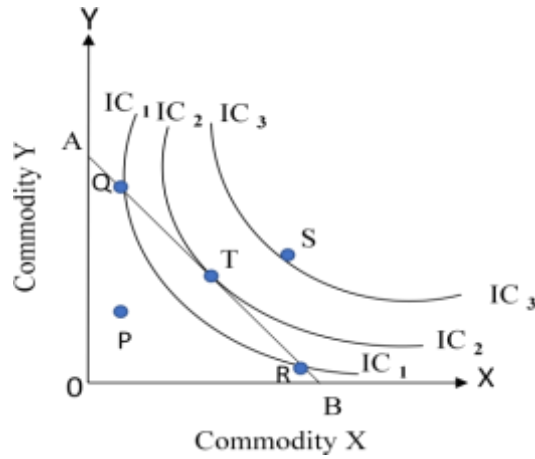
Question 11

Inferior goods are those whose income effect is:

- (a) Negative
- (b) Positive
- (c) Zero
- (d) None of these

Question 12

At which point in the following figure, the consumer can obtain maximum satisfaction?



- (a) Point S
- (b) Point Q
- (c) Point R
- (d) Point T

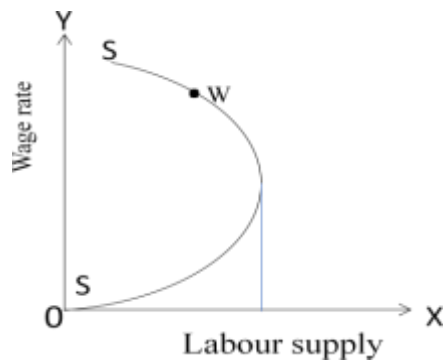
Question 13

----- refers to the minimum legal price, fixed by the government, which is above the equilibrium price.

- (a) Price ceiling
- (b) Price floor
- (c) Minimum support price
- (d) Both (b) and (c)

Question 14

What does point W in the following figure indicate?



- (a) Work preferred to leisure
- (b) More wage rate is preferred
- (c) Leisure preferred to work
- (d) More work is preferred

Question 15

The stage of negative returns sets in when:

- (a) MP is diminishing
- (b) MP is rising
- (c) MP is negative
- (d) None of these

Question 16

TC increases at an increasing rate when MC is:

- (a) Constant
- (b) Increasing
- (c) Decreasing
- (d) Negative

Question 17

When $P = AR = MR = SAC$, the firm earns:

- (a) Loss
- (b) Super-normal profit
- (c) Normal profit
- (d) None of the above

Question 18

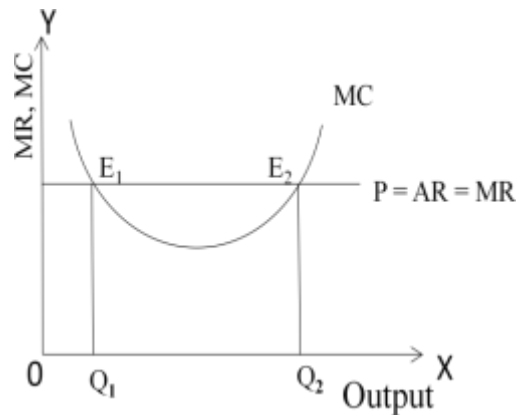
The following diagram shows:



- (a) $E_s > 1$
- (b) $E_s < 1$
- (c) $E_s = 1$
- (d) Both (a) and (b)

Question 19

In the following figure, what is the condition of equilibrium?



- (a) Necessary and sufficient conditions have been satisfied at E_1 only.
- (b) Sufficient condition of equilibrium has been satisfied at point E_1 only.
- (c) Necessary and sufficient conditions have been satisfied at E_2 only.
- (d) All of these.

Question 20

'A firm can sell more only at a same price.' To which market would you relate this statement?

- (a) Perfect competition
- (b) Monopoly
- (c) Monopolistic
- (d) Oligopoly

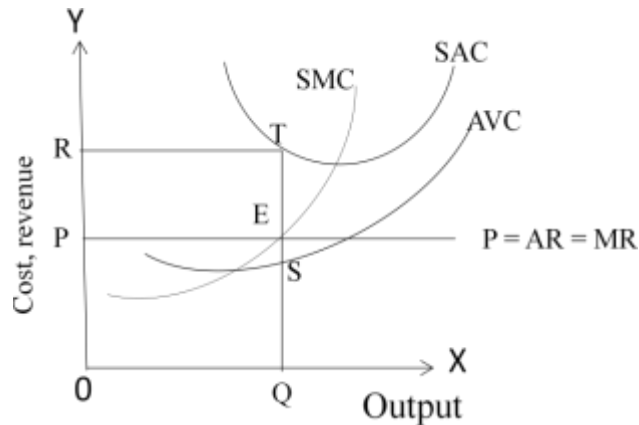
Question 21

When a dentist charges higher amount of fees from a rich patient and lower amount offees from a poor patient, it is the example of:

- (a) Price ceiling
- (b) Price discrimination
- (c) Price floor
- (d) Price contraction

Question 22

Study the given figure carefully and answer the following questions by choosing the correct option.



I. The diagram shows:

- (a) Break-even point
- (b) Shut-down point
- (c) Excess profit
- (d) Loss

II. The firm is able to cover the part of AFC, which is equal to:

- (a) TS
- (b) EQ
- (c) ES
- (d) SQ

Question 23

Which of the following will have elastic demand?

- (a) Match box
- (b) Medicines
- (c) Text books
- (d) Air conditioners

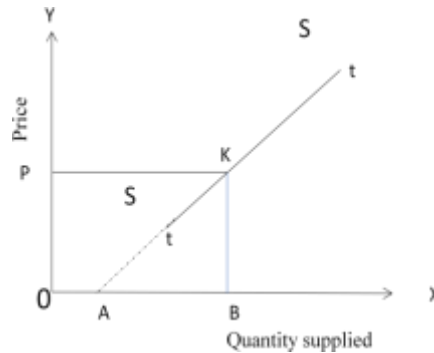
Question 24

Which of the following shows a Ceteris Paribus supply function?

- (a) $S_x = f(P_x, P_f, t, G, T, P_e, N, \dots)$
- (b) $S_x = f(P_x)$
- (c) $S_x = f(F_1, F_2, F_3, F_4)$
- (d) $S_x = f(Q_x)$

Question 25

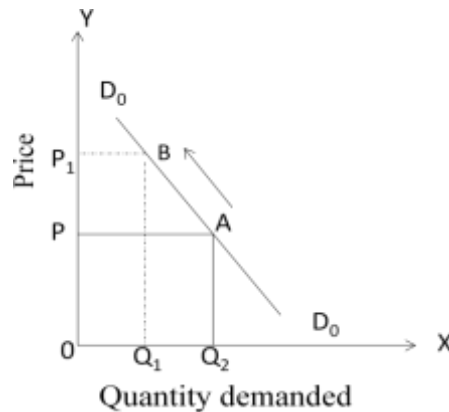
The supply curve in the following figure shows:



- (a) $E_s > 1$
- (b) $E_s < 1$
- (c) $E_s = 1$
- (d) Both (a) and (b)

Question 26

The change in the following demand curve shows:



- (a) Increase in price of given commodity
- (b) Decrease in price of given commodity
- (c) Increase in price of substitute good
- (d) Decrease in price of complementary good

Question 27

The supply curve for perishable goods will be:

- (a) Relatively elastic
- (b) Perfectly elastic
- (c) Relatively inelastic
- (d) Perfectly inelastic

Question 28

Income elasticity for necessary goods is shown as:

- (a) $\frac{\Delta Q}{Q} > \frac{\Delta Y}{Y}$
- (b) $\frac{\Delta Q}{Q} = \frac{\Delta Y}{Y}$
- (c) $\frac{\Delta Q}{Q} < \frac{\Delta Y}{Y}$
- (d) None of the above

Question 29

What will be the condition of TU, when MU stays positive?

- (a) Maximum
- (b) Diminishing
- (c) Increasing
- (d) Minimum

Question 30

Which of these is a condition for consumer's equilibrium by indifference curve analysis?

- (a) $\frac{MU_X}{P_X} = \frac{MU_Y}{P_Y}$
- (b) $MU_X = P_X$
- (c) $MRS_{XY} = \frac{P_X}{P_Y}$
- (d) $MRS_{XY} = \frac{P_Y}{P_X}$

Question 31

What would happen to the market equilibrium of a good, if decrease in demand is equal to the decrease in supply?

- (a) Equilibrium quantity rises
- (b) Equilibrium quantity falls
- (c) Equilibrium price rises
- (d) Equilibrium quantity remains the same

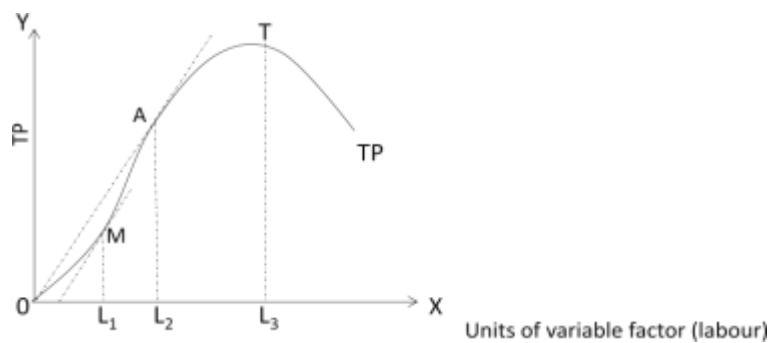
Question 32

When production is zero, total cost will be:

- (a) $TC = 0$
- (b) $TC = TVC$
- (c) $TC = TFC$
- (d) $TC = MC$

Question 33

Study the given figure carefully and answer the following questions by choosing the correct option.



I. Which level of output shows stage 1?

- (a) OL_1
- (b) OL_2
- (c) OL_3
- (d) Beyond OL_3

II. Which level of output shows point of inflexion?

- (a) OL_1
- (b) OL_2

- (c) OL_3
- (d) Beyond OL_3

III. A rational producer will produce in the output level:

- (a) 0 to OL_1
- (b) OL_1 to OL_2
- (c) OL_2 to OL_3
- (d) Beyond OL_3

Question 34

In which market $P = AR = MR$?

- (a) Monopoly
- (b) Monopolistic Competition
- (c) Perfect Competition
- (d) Both (a) and (b)

Question 35

If MR is more than MC at a particular level of output, then the producer will:

- (a) Reduce production
- (b) Increases production
- (c) Will keep the production at current level
- (d) None of these

Question 36

Market period is a time period during which:

- (a) Supply can be adjusted to meet the changed demand
- (b) Supply cannot be adjusted to meet the changed demand
- (c) Change in supply is limited to available capacity
- (d) None of the above

Question 37

What will be the effect on equilibrium price and quantity when income increases in case of a normal good?

- (a) Both equilibrium price and quantity falls
- (b) Both equilibrium price and quantity rises
- (c) Equilibrium price rises and equilibrium quantity falls
- (d) Equilibrium price falls and equilibrium quantity rises

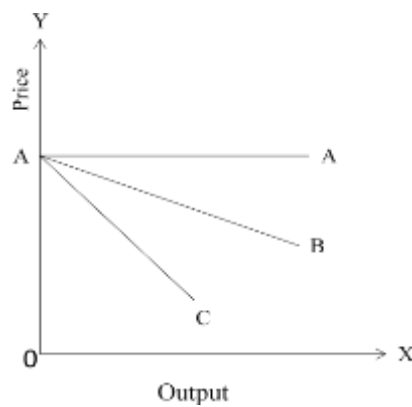
Question 38

Identify the market form which has indeterminate demand curve:

- (a) Perfect Competition
- (b) Monopoly
- (c) Monopolistic competition
- (d) Oligopoly

Question 39

In the following figure, which shows the demand curve of a monopoly firm?



- (a) AA
- (b) AB
- (c) AC
- (d) None of these

Question 40

What is the reason for the 'U' shape of the short run average variable cost curve?

- (a) Law of Demand
- (b) Law of DMU
- (c) Law of variable proportions
- (d) Law of supply

Question 41

If increase in demand is greater than increase in supply, then the equilibrium price:

- (a) Decreases
- (b) Increases
- (c) Does not change at all
- (d) Cannot be determined

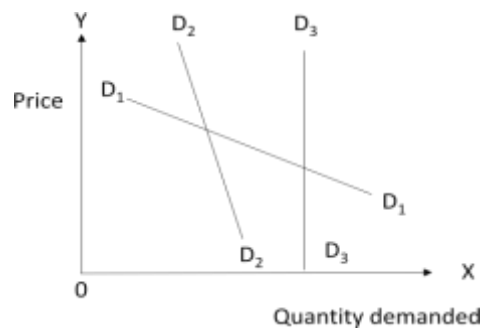
Question 42

Expansion of demand is associated with:

- (a) Rise in price, rise in quantity demanded
- (b) Fall in price, fall in quantity demanded
- (c) Fall in price, rise in quantity demanded
- (d) Rise in price, fall in quantity demanded

Question 43

Which of the following curve shows relatively inelastic demand?



- (a) D_1D_1
- (b) D_2D_2
- (c) D_3D_3
- (d) None of the above

Question 44

The price of a commodity goes up from ₹ 26 to ₹ 30 as a result of which demand falls from 4 units to 2 units, the price elasticity of demand is:

- (a) 2.25
- (b) 3.25
- (c) 3.50
- (d) 3.75

Question 45

In case of-----, supply falls due to increase in price of inputs.

- (a) Decrease in supply
- (b) Contraction in supply
- (c) Increase in supply
- (d) Expansion in supply

Question 46

MR is shown as:

- (a) $\Delta Q/\Delta TR$
- (b) $\Delta TR/\Delta AR$
- (c) $\Delta TR/\Delta Q$
- (d) $\Delta TR/Q$

Question 47

A relatively inelastic supply curve implies:

- (a) There is no change in price but quantity supplied changes.
- (b) A small change in price brings about a large change in quantity supplied.
- (c) A large change in price brings about a small change in quantity supplied.
- (d) Although there is a change in price, quantity supplied remains constant.

Question 48

The rate at which TU changes is:

- (a) MU
- (b) TU
- (c) Both TU and MU
- (d) None of these

Question 49

In monopolistic competition:

- (a) $AR = MR$
- (b) $AR > MR$
- (c) $MR < MC$
- (d) $MR = MC = 0$

Question 50

In case of two commodities, consumer's equilibrium is achieved when:

- (a) $\frac{MU_X}{P_X} = \frac{MU_Y}{P_Y}$
- (b) $MU_X = P_X$
- (c) $MRS_{XY} = \frac{P_X}{P_Y}$
- (d) $MRS_{XY} = \frac{P_Y}{P_X}$

Question 51

Which of the following statements describe the relationship between AP and MP?

- (a) AP rises when MP is above it and falls when MP is below it
- (b) MP intersects AP at its minimum point
- (c) MP and AP are always parallel to each other
- (d) AP is always rising when MP is falling and vice-versa

Question 52

In case of----- an increase in demand will lead to rise in equilibrium quantity but no change in equilibrium price.

- (a) Perfectly elastic supply
- (b) Perfectly inelastic supply
- (c) Highly elastic supply
- (d) Highly inelastic supply

Question 53

Based on the data given in the table, calculate the AFC and AVC.

| Units of Output | 0 | 1 | 2 | 3 |
|-----------------|----|----|-----|-----|
| Total Cost (₹) | 60 | 85 | 100 | 111 |

- I. AFC will be:
- (a) ∞, 25, 20, 17
- (b) ∞, 60, 30, 20
- (c) ∞, 85, 50, 37
- (d) ∞, 25, 15, 11
- II. AVC will be:

- (a) $\infty, 25, 20, 17$
- (b) $\infty, 60, 30, 20$
- (c) $\infty, 85, 50, 37$
- (d) $\infty, 25, 15, 11$

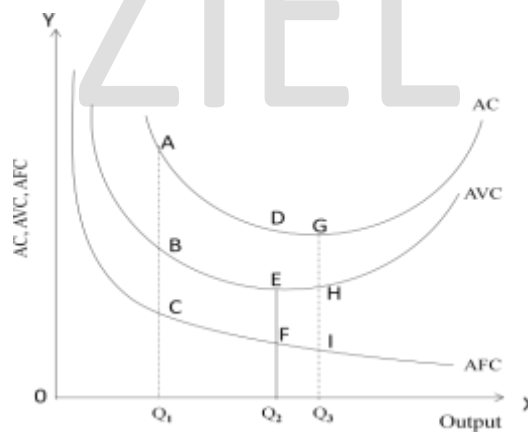
Question 54

Price ceiling leads to a situation of:

- (a) Excess demand
- (b) Excess supply
- (c) Either (a) or (b)
- (d) None of the above

Question 55

Study the given figure carefully and answer the following questions by choosing the correct option.



I. AFC at OQ₁ level of output is equal to:

- (a) AQ₁
- (b) BQ₁
- (c) AB
- (d) BC

II. AVC at OQ₂ level of output is:

- (a) EF
- (b) DE
- (c) EQ₂
- (d) DQ₂

III. AC at OQ_3 level of output is equal to:

- (a) $GH + HQ_3$
- (b) $IQ_3 + HQ_3$
- (c) Both (a) and (b)
- (d) None of the above

Question 56

In monopolistic competition, the relation between the slope of AR and MR curve is:

- (a) $AR = 2MR$
- (b) $MR = 2AR$
- (c) Slope of MR = $2 \times$ slope of AR
- (d) Slope of AR = $2 \times$ Slope of MR

Question 57

The basic condition of firm's equilibrium in short-run is:

- (a) $SMC = MR$
- (b) $SAC = AR$
- (c) $MR = AR$
- (d) All of the above

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Question 58

Administrative price is:

- (a) Price ceiling
- (b) Price floor
- (c) Both (a) and (b)
- (d) None of these.

Question 59

How much selling costs are required in case of perfect competition?

- (a) Very high
- (b) Very less
- (c) Negative
- (d) Zero

Question 60

Which of the following is not fixed cost?

- (a) Insurance Premium
- (b) Interest
- (c) Wage of casual labours
- (d) Rent of the Factory

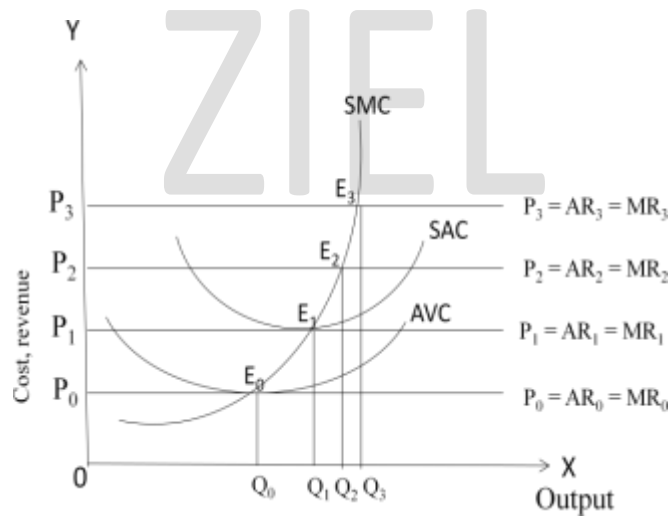
Question 61

With the increase in production, the difference between average cost and average variable cost:

- (a) Remains Constant
- (b) Increases
- (c) Decreases
- (d) Both Increases or Decreases

Question 62

Study the given figure carefully and answer the following questions by choosing the correct option.



- I. Choose the correct statement:
- (a) E_1 is the shut-down point, E_0 is the break-even point
 - (b) E_1 is the break-even point, E_0 is the shut-down point
 - (c) E_2 is the break-even point, E_1 is the shut-down point
 - (d) None of the above
- II. Choose the correct statement:
- (a) Firm enjoys normal profit at point E_0 .
 - (b) Firm enjoys normal profit at point E_1 .
 - (c) Firm enjoys normal profit at point E_2 .

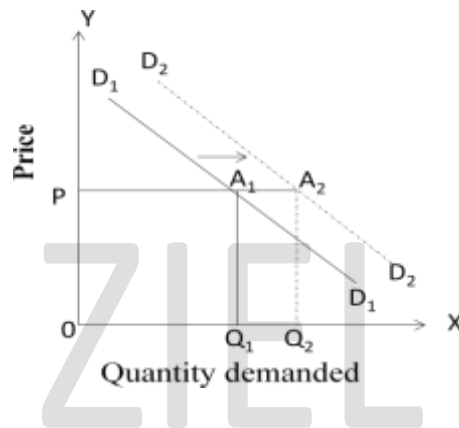
(d) Firm enjoys normal profit at point E_3 .

III. The short-run supply curve of the firm under perfect competition is:

- (a) E_1 and above on the SMC curve
- (b) E_1 and above on the SAC curve
- (c) E_0 and above on the SMC curve
- (d) E_0 and above on the AVC curve

Question 63

The following diagram shows:



- (a) Contraction in demand
- (b) Decrease in demand
- (c) Increase in demand
- (d) Extension in demand

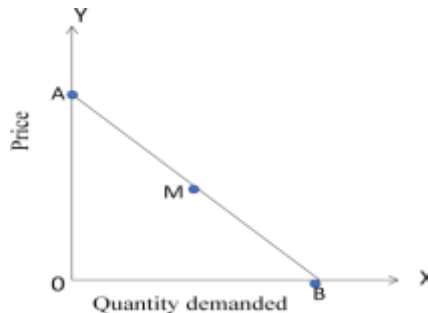
Question 64

The ratio between the percentage change in supply to a percentage change in price.

- (a) Law of Demand
- (b) Law of Supply
- (c) Elasticity of Demand
- (d) Elasticity of supply

Question 65

Elasticity of demand at any point between A to M will be:



- (a) $E_p = \mu$
- (b) $E_p = 0$
- (c) $E_p > 1$
- (d) $E_p < 1$

Question 66

If the consumption of an additional unit of a commodity causes no change in TU, then the resultant MU is:

- (a) Zero
- (b) Positive
- (c) Negative
- (d) Constant

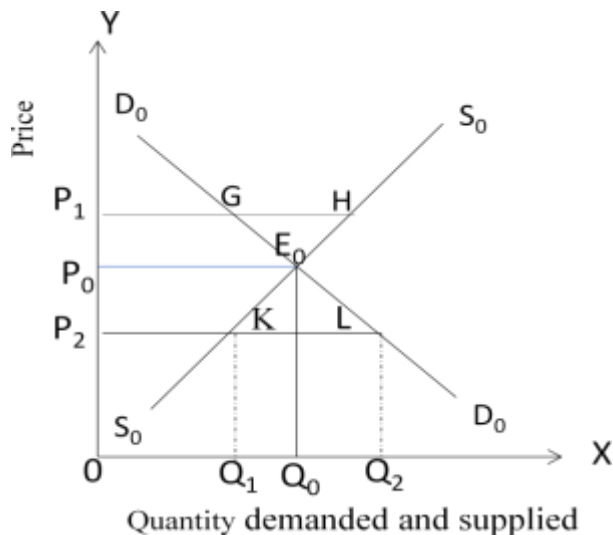
Question 67

In stage 1 of production, the TP increases at the following rate:

- (a) Increasing rate
- (b) Decreasing rate
- (c) First increases at an increasing rate and then increases at a decreasing rate
- (d) First increases at a decreasing rate and then increases at an increasing rate

Question 68

Study the given figure carefully and answer the following questions by choosing the correct option.



I. Which price shows the minimum legal price?

- (a) OP_1
- (b) $P_1 P_2$

- (c) $P_0 P_2$
- (d) OP_2

II. Which price shows the maximum legal price?

- (a) OP_1
- (b) $P_1 P_2$
- (c) $P_0 P_2$
- (d) OP_2

III. At which price does the government implement rationing?

- (a) OP_1
- (b) $P_1 P_2$
- (c) $P_0 P_2$
- (d) OP_2

Question 69

Social cost equals to:

- (a) Private cost + external cost
- (b) Private cost + implicit cost
- (c) Private cost + real cost
- (d) Private cost + accounting cost

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Question 70

What happens when production is shut down?

- (a) Fixed Cost increases
- (b) Variable Cost declines
- (c) Variable Costs become zero
- (d) Fixed Costs become zero

