

# 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]