SECOND YEAR HIGHER SECONDARY MODEL EXAMINATION – FEBRUARY 2025

PART III SUBJECT: ECONOMICS

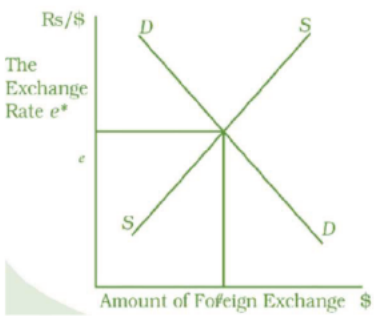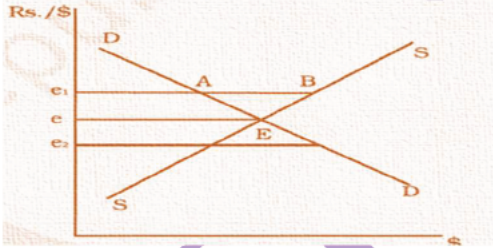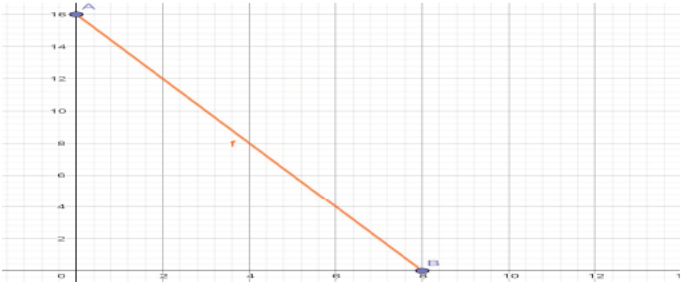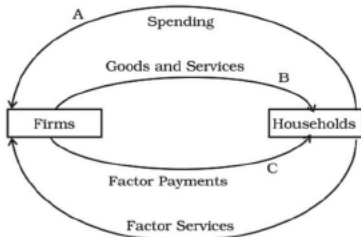CODE : SY 435   MAXIMUM SCORE: 80   TIME: 2 ½ HOURS

PREPARED BY RAJESH.S

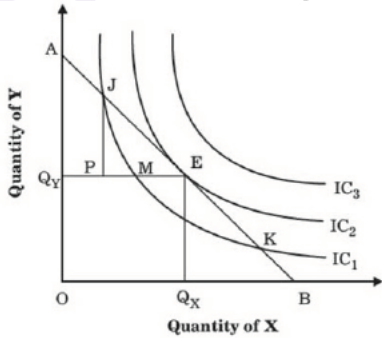| Qn. No	Sub. Qns	Answer Key / Value Point	Score	Total Score
		ANSWER ANY 8 QUESTIONS FROM 1to10		
1		(d)P=Minimum of AC	1	1
2		(b)JM Keynes	1	1
3		(a)Inventories	1	1
4		(c)Income of the consumer decreases	1	1
5		(b)Exchange rate	1	1
6		(b)Budget Constraint	1	1
7		(d)Fiscal deficit	1	1
8		(a)TR/Q	1	1
9		(c)1	1	1
10		(d)Gross Value Added at Basic Price	1	1
		Answer any 4 questions from 11 to 15		
11		The goods which is used for the production of other goods is called capital goods. The goods like raw materials, inputs etc... used in the production. Such goods have transformation through production	1+1	2
12		QD = QS $= 100 - 4P = 8P\text{-}20$ Then, $100 + 20 = 8P+4P$ $120 = 12P$ $P = 120/12$ Equilibrium Price = 10 Equilibrium Quantity = $100\text{-} 4\times10 = 60$	1 1	2
13		Households Firms Government sector External sector	½×4	2
14		**Output Market** **Labour Market**	1+1	2
15		✓ Government ownership exists.	1+1	

		✓ Centralised planning ✓ Welfare motivate economy		2

16		The central economic problems of an economy arise due to unlimited human wants, limited resources and resources which have alternative uses. Central problems can be classified in to three.
		    ✓ What to produce? And in what quantities?
		    ✓ How to produce?
		    ✓ For whom to produce?
			1
			
			1
			
			1
				3

17			3	3
18		Indifference curves downwards from left to right. A group of Indifference curve is called indifference map. Higher indifference curve gives greater level of utility. Two indifference curves never intersect each other.	1 1 1	3
19		**Allocation function** Government allocate public goods to increase the welfare of the people **2.Redistribution function** Government distribute funds to reduce inequality in income and wealth **3. Stabilization function** It refers to the activities of the government to maintain price and economic stability in the economy	1 1 1	3
20		Quantity table below	1+1 +1	3

Quantity	TFC	TVC	TC	MC
0	100	0	100	-----/100
1	100	50	150	50
2	100	80	180	30
3	100	100	200	20
4	100	110	210	10
5	100	115	215	5

21		This exchange rate is determined by the market forces of demand and supply. It is also known as Floating Exchange Rate. The exchange rate is determined where the demand curve intersects with the supply curve. In this exchange rate system, the Government fixes the exchange rate at a particular level. 	2 2	4
22		Large number of buyers and sellers. Homogeneous products. Uniform price. Firm is 'price taker'. Perfect knowledge of buyers and sellers about the market conditions	1 X4	4
23		The value of GDP calculated on the basis for base year prices (constant set of prices or constant prices) is called Real GDP. It is denoted by 'gdp The value of GDP calculated on the basis of current year prices is called Nominal GDP. It is denoted with 'GDP'. It is the ratio between nominal GDP(GDP) and real GDP(gdp) GDP DEFLATOR = $\frac{GDP}{gdp} X100$	1 1 1 1	4
24	(a) (b) (c) (d)	$10X_1 + 5 X_2 = 80$ Horizontal intercept of budget line $= \frac{80}{10} = 8$ Vertical intercept of budget line $= \frac{80}{5} = 16$ 	1 1 1 1	4

25			4	4

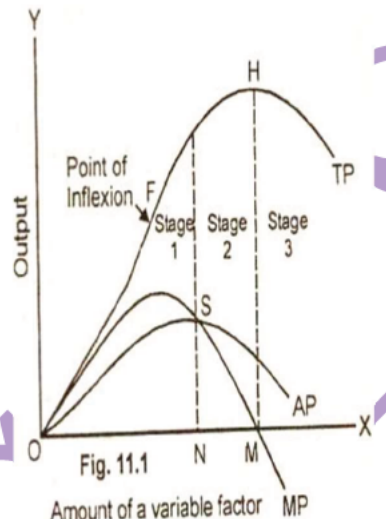| 26		Under this method NI is calculated by adding all the factor income received by owners of factors of production.	5	5

Income received by land is called Rent (R),
Income received by labour is called Wages and salaries (W),
Income received by Capital is called Interest (In)
Income received by entrepreneurship is called Profit (P).

Thus GDP can be written as follows.

GDP≡ W+R+In+P

27		The choice of the bundle which gives maximum satisfaction to the consumer is known as optimal choice of the consumer. This situation of the consumer is also called as consumer's equilibrium. At this point three conditions are necessary for the optimal choice.	5	5

Indifference curve should be tangent to the budget line.

The slope of indifference curve is equal to the slope of budget line.

$$MRS\,xy = -\frac{p1}{p2}$$

The point E represents the point of consumer's optimal choice.

| 28 | |

Revenue Receipts: These are the receipts that neither create any liability nor reduction in assets of the government. It includes tax revenues and non- tax revenue

Revenue Expenditure: An expenditure that neither creates any assets nor cause reduction of liability is called revenue expenditure.
Eg: central Plans and central assistance for State and Union Territory plans, interest payments, defence services, subsidies, salaries and pensions etc.. | 3

1

1 | 5 |
| 29 | | Government imposed lower limit on the price of a good is called as price floor. This is the policy of 'Minimum price fixation'. To prevent price from falling because of excess supply, the government purchases the surplus goods at the predetermined price. The government increases their buffer stocks | 5 | 5 |
| 30 | | Aggregate demand is the total demand in the economy. In a two sector economy, aggregate demand is the sum of consumption demand and investment demand. $$AD = \bar{C} + \bar{I} + c.Y$$

AD= C + I
Consumption demand ----C Investment demand - I
$$Y = \frac{\bar{A}}{1 - mpc} = \frac{250}{1 - 0.8} = \frac{250}{0.2} = 1250$$ | 3

2 | 5 |
| | | **Answer any 2 questions from 31 to 33** | | |
| 31 | | | | 8 |

	(A)	Law of variable proportions or the law of diminishing marginal product say that the marginal product of a factor input initially rises with its employment level. But after reaching a certain level of employment, it starts falling. This is because of unproportionate factor proportions. This is shown by the following table and diagram.	5	

In the above diagram TP. AP and AP are Total product curve, Average product curve and MP is the Marginal product curves. The three stages of the law is illustrated. In the first stage TP increases at an increasing rate. AP and MP also increase. It is called increasing returns to a factor. In the second stage TP

Fig. 11.1
Amount of a variable factor   MP

increases at a decreasing rate, an AP and MP decline. It is called Diminishing returns to a factor in the third stage TP starts decline and MP becomes negative and AP declines. It is called Negative returns to a factor.

Input	TP	AP	MP
0	0	--	--
1	12	12	12
2	28	14	16
3	45	15	17
4	53	13.25	8
5	60	12	7
6	66	11	6
7	70	10	4
8	72	9	2
9	72	8	0
10	70	7	-2

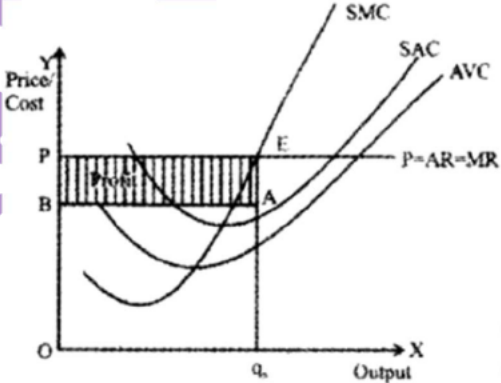|	(B)	i The AP increases when MP is greater than AP. ii The AP is at its maximum when both MP and AP are equal. iii The AP decreases when MP ip less than AP.	3	
32	(A)	Central bank issues the currency of the country. Central bank controls money supply of the country. Central bank acts as a banker to the government. Central bank is the custodian of the foreign exchange reserves Central bank also acts as a bank to the banking system. Lender of Last Resort	3	8

	(B)	The RBI controls the money supply in the economy in various ways. The tools used by the Central bank to control money supply can be quantitative or qualitative. **Quantitative tools** 1.**Bank rate:** The rate at which it gives loan to the commercial bank 2. **Open market operation** : It refers to buying and selling of bonds by the government in the open market 3.**Reserve Ratio** : Make changes in CRR and SLR. Money supply can be controlled during inflation by increasing CRR and SLR and during deflation by decreasing CRR and SLR . **Qualitative tools** 1.Moral Suasion 2.Margin Requirement	5	
33		To earn maximum profit a firm must satisfy three conditions: 1. Price should be equal to MC (P=MC). 2. MC should be increasing 3. i) Price should be greater than or equal to AVC in the short run (P≥AVC) ii) Price should be greater than or equal to AC in the long run (P≥AC).	8	8