ST. XAVIER'S SENIOR SECONDARY SCHOOL, DELHI – 110054

Class 12 Time : 1 hr.
25-7-2014 First Unit Test in ECONOMICS M. Marks : 20

1. Define Marginal Rate of Substitution. (1)

2. State the law of equi-marginal utility. (1)

3. The government introduces policies to encourage foreign direct investment. What will be the impact on the Production Possibility Frontier? (1)

4. What is meant by monotonic preferences? (1)

5. Government gives a subsidy on a product that has a positive effect on health so that its consumption increases. What should be the value of price elasticity of demand for this policy of the government to be successful? (1)

6. State any two features of indifference curves. (1)

7. Explain the central problem of choice of technique. (3)

8. A consumer consumes only two goods X and Y and is in equilibrium. Price of X falls. Explain the reaction of the consumer with the help of indifference curve analysis. (3)

9. Differentiate between -
   a) Normal goods and Inferior goods.
   b) Substitutes and Complements. (4)

10. A consumer buys 14 units of a good at a price of Rs. 8/- per unit. At a price of Rs. 7/- per unit he spends Rs. 98/- on the good .Calculate price elasticity of demand by the percentage change method. Comment on the shape of the demand curve on the basis of this information. (4)

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