SECOND YEAR HIGHER SECONDARY SECOND TERMINAL EXAMINATION DECEMBER 2025

PART-III

CODE NO: FY 4035   SUBJECT: ECONOMICS.   VERSION:D.
SCORES:80   TIME:2:30HOURS

PREPARED BY RAJESH.S

Qn. No	Sub. Qns	Answer Key / Value Point	Score	Total Score
		ANSWER ANY 8 QUESTIONS FROM 1to10		
1		(b) Distribution of National Income	1	1
2		(c) Marginal rate of Substitution.	1	1
3		(C) Rectangular hyperbola	1	1
4		(c) ARMR	1	1
5		(b) P= Min. Ac	1	1
6		(b) Excess demand.	1	1
7		(c) National Income	1	1
8		(a)GVA at factor Cost+ Net Production tax.	1	1
9		(b) Demand deposit	1	1
10		(c) MPS I-MPC	1	1
		Answer any 4 questions from 11 to 15		
11		Nature of the commodity, price of related goods, availability of close substitutes(ANY TWO)	1 1	2
12		LRAC$LRMC Diagrams	1+1	2
13		Firms, households, government, external sector	½×4	2
14		$\frac{1}{crr} = \frac{1}{0.2} = 5$	2	2
15		APC----0.6,0.5,0.5,0.54 APS----0.4,0.5,0.5,0.46	1 1	2
		Answer any 4 questions from 16 to 20		
16	a) b) c)	$HI = \frac{M}{P1} = \frac{150}{15} = 10$ $VI = \frac{M}{P2} = \frac{150}{10} = 15$ $Slope = \frac{-p1}{P1} = \frac{15}{10} = -1.5$	1 1 1	3
17		Increasing returns to scale Constant returns to scale Decreasing returns to scale	1 1 1	3
18		PROFIT------(-)5,-2,0,3.5.2,-3,-5 MARKET PRICE=AR=$\frac{TR}{Q}$=5	2 1	3
19		**Inequality in the distribution of income** – If an increase in GDP results in an increase in inequality inthe distribution of income , welfare decreases.	1	3

		GDP and Non Monetary exchanges – GDP does not include non monetary exchanges. Therefore, GDP is incomplete **GDP and externalities** – GDP does not consider externalities	1 1	
20		Banks must maintain a minimum percentage of their deposits as cash reserves (CRR) with the central bank, as mandated by regulations. The credit creation process relies on new deposits being redeposited into the banking system.it creates cash drain	1 ½ 1 ½	3

Answer any 4 questions from 21 to 25

21		Shut down point of the firm is the point at which the firm stops production. It is the minimum point of AVC with diagram The point at which total revenue is equal to total cost (TR=TC) It is the minimum point of AC with diagram	2 2	4
22	a)	Price -----may increase, may decrease may remain constant Quantity-----increases with diagram	2	4
	b)	Price -----may increase, may decrease may remain constant Quantity-----decreases with diagram	2	
23		.The Great Depression of the 1929 was a major factor in the emergence of Macroeconomics in Europe and North America. • The Great Depression is a state in which all economic activities are at the lowest level. • In USA, from 1929 to 1933, unemployment rate rose from 3 per cent to 25 per cent. Over the same period aggregate output in USA fell by about 33 per • **John Maynard Keynes** published **'The General Theory** of Employment Interest and Money' in **1936,** proposing a solution to the crisis. This lead to the origin of Macroeconomics.	1 1 1 1	4
24		CPI=139.29	4	4
25		Y=250	4	4

Answer any 4 questions from 26 to 30

26		1.What to produce and in what quantity? - Related to allocation of resources 2.How to produce? - Related to technology of production. ie, labour intensive technology and capital intensive technology 3.For whom to produce? - Related to distribution of income Market economy---- Price mechanism Centrally planned economy-------centralised Planning	1 1 1 1	5
27		**Movement along a demand curve** Expansion of demand (Increase in demand due to decrease in price) • Contraction of demand (Decrease in demand due to Increase in price) **Shift in Demand** (Change in demand due to change in non-price factors) • Increase in demand (Demand curve shift to right) • Decrease in demand (Demand curve shift to left)	2½ 2½	5
28		Fixed cost per unit of output is called AFC	1	5

		Average variable cost is defined as the total variable cost per unit of output	1 1	
		Average cost is the cost per unit of output		
		AC=AFC+AVC AFC=AC-AVC AVC=AC-AFC	2	
29	a)	It is the upper price limit imposed by the government ・It will always be less than equilibrium price ・Results in excess demand	1 3	5
	b)	・Fair price shops are open ・Imposed on necessary item like wheat rice kerosene extra	1	
	c)	Long queue in the ration shop Black marketing		
30		The equilibrium level of income depends on aggregate demand. Thus, if aggregate demand changes, the equilibrium level of income changes. This can happen in any one or combination of the following situations: 1. Change in consumption2. Change in investment (I) when there is an increase in Autonomous Expenditure, aggregate demand curve will shift parallel to upward direction. So, the Equilibrium demand and income will increase.	5	5

31	a)	P=MC=MR MC is non decreasing at equilibrium output $p \geq avc$ in shortrun.$p \geq ac$ in longrun	1 1 1	8
	b)	Explanation	3	
	c)	diagram	2	
32	a)	CIRCULAR FLOW OF INCOME DIAGRAM	2	8
	b)	1. PRODUCT METHOD OR VALUE ADDED METHOD(flow of goods &services) 2. INCOME METHOD(flow of factor payments)	3	
	c)	3. EXPENDITURE METHOD(flow of spending) explanation	3	
33	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 of the economy.	1 1 1 1	8
	b)	Central bank also acts as a bank to the banking system. Lender of Last Resort. **Bank rate** **Open market operation** .**Reserve ratos** Margin Requirement	1 1 1	