B.K. BIRLA CENTRE FOR EDUCATION
SARALA BIRLA GROUP OF SCHOOLS
A CBSE DAY-CUM-BOYS' RESIDENTIAL SCHOOL

TERM - I EXAMINATION (2026-27)
ECONOMICS

Class: XI | **Time: 3hrs**
Date: 07.09.2026 | **Max Marks: 80**
Admission no: | **SET – 2** | **Roll no.:**

General Instructions:
Read the following instructions carefully and follow them:
(i) This question paper contains 34 questions. All questions are compulsory.
(ii) This question paper contains 20 Multiple Choice type questions. Each question carries 1 mark.
(iii) This question paper contains 4 Short Answer Type-I questions. Each question carries 3 marks. Answer these questions in 60 to 80 words.
(iv) This question paper contains 6 Short Answer Type-II questions. Each question carries 4 marks. Answer these questions in 80 to 100 words.
(v) This question paper contains 4 Long Answer type questions. Each question carries 6 marks. Answer these questions in 100 to 150 words.
(vi) Attempt all parts of a question together.
(vii)There is no overall choice in the question paper. However, an internal choice has been provided in few questions. Only one of the choices in such questions has to be attempted.

MICRO ECONOMICS

1. Statement-1: 'For whom to produce' refers to the problem of distribution of the national product among the members of the society. 1)

Statement-2: 'How to produce' refers to the choice of technique of production, i.e. labour-intensive Or capital-intensive technique.

a) Both the statements are true (b) Both the statements are false
c) Statement 1 is true and Statement 2 is false (d) Statement 2 is true and Statement 1 is false

2. Assertion (A): A production possibility curve is concave to the origin. 1)

Reason (R): The marginal rate of transformation goes on increasing as more and more units of one good are produced by sacrificing the other good.

(a) Both Assertion(A) and Reason (R) are True and Reason(R) is the correct explanation of Assertion(A)
(b) Both Assertion(A) and Reason (R) are True and Reason(R) is not the correct explanation of Assertion(A)
(c) Assertion(A) is True but Reason(R) is False
(d) Assertion(A) is False but Reason(R) is True

3. Which one of the following is a normative economic statement? 1)
(a) The rate of unemployment in India is 6 per cent
(b) The government should spend more on elementary education
(c) A fall in the price of a good raises its quantity demanded
(d) India's Gross Domestic Product grew by 7 per cent last year

4. An economy is producing 100 units of good X and 60 units of good Y by fully utilising its resources. 1)
It now decides to produce 20 more units of good X by sacrificing 15 units of good Y.
The opportunity cost of producing one more unit of good X is ______ units of good Y.
a) 0.75 b) 1.33

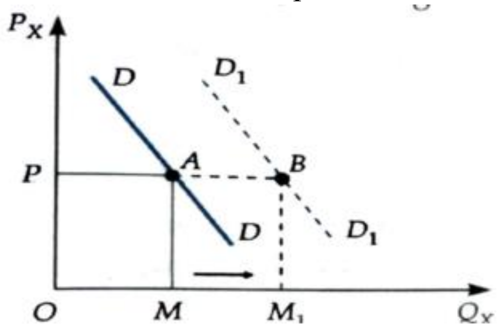
c) 15 d) 20

5. A point lying outside the production possibility curve of an economy indicates: 1)

(a) full and efficient utilisation of the available resources (b) underutilisation of the available resources

(c) an unattainable combination with the given resources and technology (d) growth of resources

6. The cause of shift from point A to B in the given figure is because of________. 1)



(a) Decrease in price of complementary goods (b) Increase in price of substitute good

(c) Expectation of price rise in future (d) All of these

7. The demand for a commodity is said to be perfectly elastic when its demand curve is: 1)

(a) parallel to the X-axis (b) parallel to the Y-axis

(c) a negatively sloped straight line (d) positively sloped

8. The demand for a commodity rises from 100 units to 120 units when its price falls from □ 10 to □ 8 per unit. The price elasticity of demand for the commodity is: 1)

(a) 0.5 (b) 1

(c) 1.5 (d) 2

9. Which one of the following is not a property of an indifference curve? 1)

a) It slopes downwards from left to right

b) It is convex to the origin

c) Two indifference curves can intersect each other

d) A higher indifference curve represents a higher level of satisfaction

10. Assertion (A): In the single commodity case, a consumer is in equilibrium at the level of consumption where the marginal utility of the commodity is equal to its price (in terms of money). 1)

Reason (R): So long as the marginal utility of the commodity is greater than its price, the consumer gains by purchasing additional units of the commodity.

(a) Both Assertion(A) and Reason (R) are True and Reason(R) is the correct explanation of Assertion(A)

(b) Both Assertion(A) and Reason (R) are True and Reason(R) is not the correct explanation of Assertion(A)

(c) Assertion(A) is True but Reason(R) is False

(d) Assertion(A) is False but Reason(R) is True

11. An increase in the income of a consumer of an inferior good will lead to: 1)

a) a rightward shift in the demand curve b) a leftward shift in the demand curve

c) expansion of demand d) no change in demand

12. When the average product of a variable factor is at its maximum: 1)

(a) MP is equal to AP (b) MP is greater than AP

(c) MP is equal to zero (d) AP is equal to zero

13. The average fixed cost curve of a firm is: 1)

(a) a horizontal straight line (b) a rectangular hyperbola

(c) U-shaped (d) upward sloping throughout

14. Which one of the following is an example of implicit cost? 1)

(a) Wages paid to the hired labour (b) Rent paid for the hired factory building

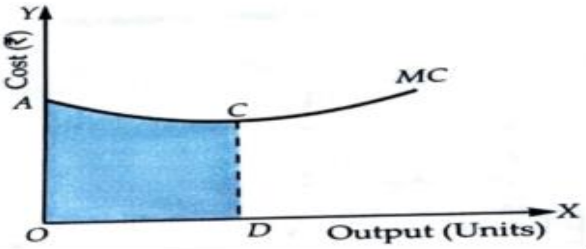
(c) Interest on the capital invested by the entrepreneur himself d) Payment made for the purchase of raw material

15. The total fixed cost curve of a firm is: 1)

(a) parallel to the X-axis (b) parallel to the Y-axis

(c) U-shaped (d) a curve starting from the origin

16. The area under the given curve is: 1)



(a) TC (b) TVC

(c) AC (d) AVC

17. Total revenue of a firm is maximum when: 1)

(a) marginal revenue is maximum (b) marginal revenue is zero

(c) marginal revenue is negative (d) average revenue is zero

18. Which one of the following is correct? 1)

a) When MP is positive and rising, TP rises at an increasing rate

b) When MP is zero, TP is maximum

c) When MP is negative, TP declines

d) All of these

19. In the third stage of the law of variable proportions: 1)

(a) MP is positive and rising (b) MP is positive but falling

(c) MP is negative (d) MP is equal to zero

20. An improvement in the technique of production will shift the supply curve: 1)

a) to its left b) to its right

c) no change d) none of these

21. The following table shows the production possibilities of an economy which produces only two goods, wheat and tanks, by fully utilising its given resources and technology: 3)

Possibility	A	B	C	D	E	F
Wheat (in million tonnes)	0	10	20	30	40	50
Tanks (in lakhs)	50	48	44	36	20	0

(i) Calculate the marginal rate of transformation when the economy moves from possibility C to possibility D.

(ii) What will happen to the production possibility curve of this economy if it discovers new resources?

(iii) What does a point lying inside the production possibility curve of this economy indicate?
Draw diagrams.

OR

Distinguish between positive economics and normative economics. Give one example of each. 3)

22. State whether the following statements are True or False, giving proper reasons: 3)
a) An economy always operates on its production possibility frontier.
b) Opportunity cost of a decision is the value of the next best alternative foregone.
c) Scarcity of resources is a problem faced only by poor households and poor countries.

23. Explain the relation between AP and MP. Use diagram. 3)

24. (A) A consumer consumes only two goods, X and Y. At the present level of consumption, the ratio of marginal utility to price of good X is greater than that of good Y. How will the consumer react to this situation to reach the equilibrium level of consumption? Explain. 3)

OR

(B) Distinguish between 'change in quantity demanded' and 'change in demand'. 3)

25. (A) With the help of a diagram explain Total Opportunity Cost. 2)
(B) Explain the central problem of 'What to produce?' 2)

26. (A) When the price of a commodity falls by Rs 2 per unit, its quantity demanded increases by 10 units. Its price elasticity of demand is (-)1. Calculate its quantity demanded at the price before change which was Rs 10 per unit. 3)

(B) Arrange the following coefficients of elasticity of demand in ascending order: 1)
-0.87, -0.53, -3.1, -0.80

27. (A) Explain the effect of the following on the demand for a commodity: 3)
a) A rise in the price of its complementary good. Use diagram
b) A fall in the income of a consumer of a normal good. Use diagram.
(B) What are Giffen Goods? 1)

28. (A) Rohan spends his money income on a single commodity X, whose price is 6 per unit. 4)
Assuming that the marginal utility of money for him is one util and is given and constant, his utility schedule is as follows:

Units of X consumed	1	2	3	4	5	6
Marginal Utility (utils)	12	10	8	6	4	2

(a) Find the level of consumption at which Rohan would be in equilibrium. Give reason for your answer.
(b) Calculate the total utility he derives at the equilibrium level of consumption.

OR

(B) Explain the conditions of consumer's equilibrium using indifference curve analysis. 4)
Use diagram.

29. (A) Explain the relationship between Marginal Cost (MC) and Average Variable Cost (AVC) with the help of a diagram. 4)

30. (A) Complete the following cost table: 3)

Output (units)	Total Variable Cost (Rs)	Average Variable Cost (Rs)	Marginal Cost (Rs)
1	10	---	---
2	---	8	6
3	27	---	---
4	---	10	13

(B) Why is Total Variable Cost (TVC) curve inversely S-shaped? 1)

OR

(A) Explain the effect of the following on the supply of a commodity: 2)

a) A rise in the prices of the inputs used
b) An improvement in the technique of production

(B) What is the difference between supply and stock? 2)

31. Read the passage and answer the questions:

A firm's revenue is the money that it earns from selling its product. Revenues equal the number of units that a firm sells times the price at which it sells each unit. There are two ways in which firms can obtain higher revenues: sell more products or sell at a higher price. So if a firm wants to make a lot of revenue, it should sell a lot of its product at a high price. Then again, you probably do not need to study economics to figure that out. The problem for a manager is that her ability to sell a product is limited by what the market will bear. Typically, we expect that if she sets a higher price, she will not be able to sell as much of the product. Equivalently, if she wants to sell a larger quantity of product, she will need to drop the price.

(A) (i) Which type of market form is referred to in the above passage? 1)

(ii) What is the shape of AR and MR curves when more units of a product are sold at the same price. Show with schedule and diagram. 3)

(B) Draw shapes of AR and MR curves under monopolistic competition and monopoly. 2)

32. (A) Explain the law of variable proportions with the help of a schedule, clearly showing its various stages. 4)

(B) Why does the marginal product of a variable factor ultimately become negative? 2)

OR

(A) Explain the shapes of TFC, TVC and TC curves of a firm with the help of a single diagram. 4)

(B) Why does the total cost curve of a firm start from a point above the origin? 2)

33. (A) Explain the 'substitution effect' and 'income effect' as a reason for the inverse relation between the price of a good and its quantity demanded. 4)

(B) "The demand for salt is inelastic, whereas the demand for diamonds is elastic." Give reasons in support of the above statement. 2)

34. (A) State the meaning of Marginal Rate of Substitution with the help of a schedule and diagram. 4)

(B) Explain why MRS goes on diminishing. 2)

OR

(A) Explain the Law of Diminishing Marginal Utility (DMU) with a schedule and diagram. Give the relation between Marginal Utility and Total Utility. 4)

(B) Explain Law of demand with a labelled diagram. Give its assumptions. 2)

*****************************ALL THE BEST*************************************