B K BIRLA CENTRE FOR EDUCATION, PUNE

(SENIOR SECONDARY CO-ED DAY CUM BOYS' RESIDENTIAL SCHOOL, AFFILIATED TO CBSE NEW DELHI)

PERIODIC TEST - II

SUBJECT – ECONOMICS

MARKING SCHEME

B K BIRLA CENTRE FOR EDUCATION (Sarala Birla Group of Schools)

INDIAN PUBLIC SCHOOLS' CONFERENCE

CLASS: XI **TIME: 3 Hours**

DATE: 02/12/2024 **MAX. MARKS: 25**

Q 1. (a) MR 1)

Q 2. (a) Normal profits in the long run 1)

Q 3. (c) Black Market 1)

Q 4. (a) Excess Supply 1)

Q 5. (c) Statement I is true and statement II is false 1)

Q 6. A firm in a perfectly competitive market is a price taker because it must accept the market equilibrium price, and cannot unilaterally influence it:
In a perfectly competitive market, the price of a commodity is determined by the forces of demand and supply.
A perfectly competitive firm is known as a price taker because the pressure of competing firms forces them to accept the prevailing price. 2)

Q 7. Freedom of entry and exit implies that the firm earns normal profits only in the long run. Super normal profits and losses are wiped out leading to normal profits only. 2)

Q 8. The average revenue (AR) curve in a perfectly competitive market is a horizontal line parallel to the X-axis. This is because in perfect competition, the price remains constant and the AR is equal to the price. 2)

Q9. n a perfectly competitive market, the price of a good is determined by the market forces of supply and demand: 4)
Equilibrium price: The price at which supply and demand are equal. This is also known as the "market clearing price"

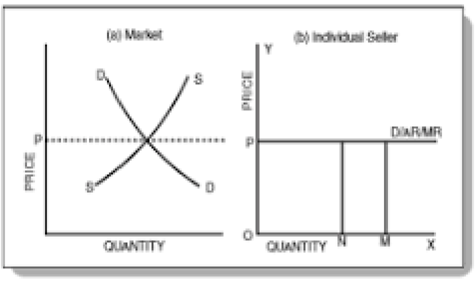


Fig. 2 : The firm's demand curve under perfect competition

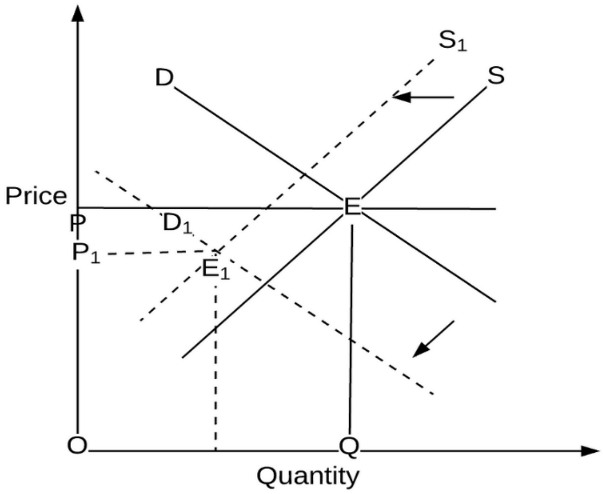
Q 10. (A)The diagram represents price floor. 1)

(B) Price floor creates a situation of excess supply. This leads to a situation of glut in the market. 3)

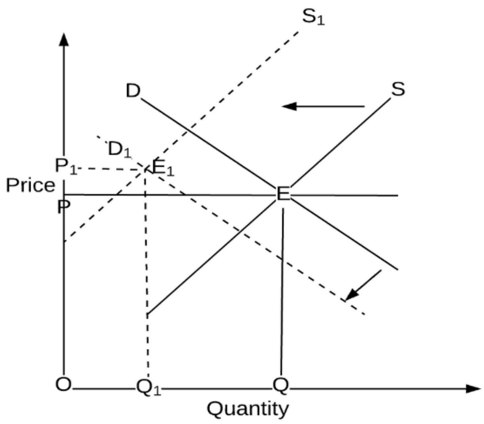
To help the farmers the government buys it from them at the minimum support price. It stores the food grains in the granary i.e FCI. It releases the food grains in the market at times of drought and flood to save the people from malnourishment.

11. (A) 2)

(i) Equilibrium price decreases.



(ii) Equilibrium price increases 2)



(B) True or False: 2)

False. Due to rising cost of production, the supply of a commodity will fall. In this situation demand is greater than supply and equilibrium price will rise.

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