

**Sample Question Paper (Set 2)**  
**Subject: ECONOMICS (030)**  
**Class XII (2016-17)**

Time : 3 Hours

Maximum Marks : 100

Instructions:

1. All questions in both sections are compulsory. However, there is internal choice in some questions.
2. Marks for questions are indicated against each question.
3. Question No.1-5 and 16-20 are very short answer questions carrying 1 mark each. They are required to be answered in one sentence.
4. Question No.6-8 and 21-23 are short answer questions carrying 3 marks each. Answers to them should not normally exceed 60 words each.
5. Question No.9-11 and 24-26 are also short answer questions carrying 4 marks each. Answers to them should not normally exceed 70 words each.
6. Question No.12-15 and 27-30 are long answer questions carrying 6 marks each. Answers to them should not normally exceed 100 words each
7. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

**Section A: Microeconomics**

1. When is a consumer said to be rational? (1)
2. Define normative economics, with a suitable example. (1)
3. State the meaning of `quantity demanded of a commodity`. (1)
4. If a firm's production department data says that the total variable cost for producing 8 units and 10 units of output is ₹ 2,500 and ₹3,000 respectively, marginal cost of 10<sup>th</sup> unit will be  
a. ₹100    b. ₹ 150    c. ₹ 500    d. ₹ 250 (1)
5. State any one assumption for the construction of the curve that shows the possibilities of potential production of two goods in an economy. (1)
6. State the behavior of Marginal Physical Product, under Returns to a Factor. (3)
7. Using appropriate schedules, briefly describe the determination of market equilibrium. (3)

8. *“In a hypothetical market of mobile phones, the brand AWAAZ was leading the market share. Its nearest competitor VAARTA suddenly changed its strategy by bringing in a new model of the mobile phone at a relatively lesser price. In response, AWAAZ too slashed its price.”*

Based on the above information, identify the form of market represented and discuss any one feature of the market.

Or

Discuss the primary reason for ‘indeterminateness of demand curve’ under the oligopoly form of market. (3)

9. a. Arrange the following coefficients of price elasticity of demand in ascending order:

-0.7, -0.3, -1.1, -0.8

b. Comment upon the degree of elasticity of demand for Good X, using the total outlay method, if the price of X falls from ₹ 18 per unit to ₹ 13 per unit and its quantity demanded rises from 50 units to 100 units. (1+3)

10. Identify which of the following is not true for the Indifference Curves. Give valid reasons for choice of your answer:

- Lower indifference curve represents lower level of satisfaction.
- Two regular convex to origin indifference curves can intersect each other.
- Indifference curve must be convex to origin at the point of tangency with the budget line at the consumer’s equilibrium.
- Indifference curves are drawn under the ordinal approach to consumer equilibrium.

**OR**

A consumer has total money income of ₹ 250 to be spent on two goods X and Y with prices of ₹25 and ₹ 10 per unit respectively. On the basis of the information given, answer the following questions:

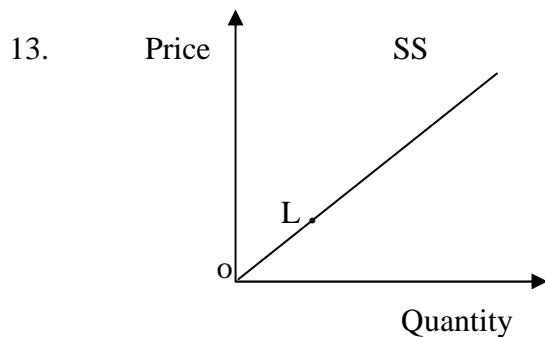
- Give the equation of the budget line for the consumer.
- What is the value of slope of the budget line?
- How many units can the consumer buy if he is to spend all his money income on good X?
- How does the budget line change if there is a fall in price of good Y? (4)

11. Explain the concept of marginal opportunity cost using a numerical example. (4)

12. Define Price Floor. What is the common purpose of fixation of floor price by the government? Explain any one likely consequence of this nature of intervention by the government.

OR

Define Price Ceiling. What is the common purpose for the price ceiling imposed by the government? Explain any one likely consequence of this nature of intervention by the government in the price determination process. (2+2+2)



- a) Apply the geometric method to determine the elasticity of supply at point L on the supply curve SS given above. (3)
- b) Justify the statement, 'In economics, normal profits are always a part of total cost'. (3)

14. A consumer, Mr. Aman is in state of equilibrium consuming two goods X and Y, with given prices  $P_x$  and  $P_y$ . Explain what will happen if :

- a.  $MU_x / P_x$  is greater than  $MU_y / P_y$ .
- b.  $P_y$  falls (6)

15. State, with valid reasons, which of the following statement are true or false:

- a. Average Revenue curve under the Perfect Competition is a downward sloping curve.
- b. AFC curve is a rectangular hyperbola curve.
- c. When MR is falling but positive, TR will also be falling and positive. (6)

### Section B: Macroeconomics

16. Supply of money refers to quantity of money

- a. As on 31<sup>st</sup> March
- b. During any specified period of time
- c. As on any point of time
- d. During a fiscal year (1)

17. Define nominal flow. (1)
18. Primary deficit is equal to: (1)
- Fiscal Deficit less Interest Payments
  - Revenue Deficit less borrowings
  - Borrowings less interest payments
  - Borrowings less Fiscal Deficit.
19. Which of the following is not a Quantitative Method of credit control? (1)
- Open Market Operation
  - Margin Requirements
  - Variable Reserve Ratio
  - Bank Rate Policy
20. What are 'subsidies'? (1)
21. Explain how 'Depreciation of currency' promotes exports of a country? (3)
22. If in an economy:
- Consumption function is given by  $C = 100 + 0.75 Y$ , and
  - Autonomous investment is ₹150 crores.
- Estimate (i) Equilibrium level of income and (ii) Consumption and Savings at the equilibrium level of income.
- OR**
- Explain how the economy achieves equilibrium level of income using Consumption + Investment (C+I) approach. (3)
23. State under what conditions in the following statements may be true:
- GNDI is equal to GNP at market prices.
  - Domestic Income is greater than National Income
  - Value of output is equal to Value Added (3)
24. 'GDP as an index of welfare may understate or overstate welfare.'
- Explain the statement using examples of a positive and a negative externality (4)
25. Define Balance of Payments. Discuss briefly the components of current account. (4)

26. Explain the concepts of Real GDP and Nominal GDP, using a suitable numerical example.

**OR**

State the various precautions of Product Method that should be kept in mind while estimating national income. (4)

27. a) "Fiscal deficit is necessarily inflationary in nature". Do you agree? Support your answer with valid reasons.  
b) Elaborate 'Economic Growth' as an objective of government budget. (3+3)
28. What is the range of values of investment multiplier? Clarify the relation of investment multiplier with marginal propensity to consume (MPC) and with marginal propensity to save (MPS). (6)
29. Discuss how the central bank plays the role of 'controller of credit' in an economy?

**OR**

Using a numerical example elaborate the credit creation process as handled by the commercial banks. (6)

30. Compute (a) National Income and (b) Personal Disposable Income. (6)

| S.No. | Items  | Amount<br>(in ₹ Crores) |
|-------|--|-------------------------|
| i)    | Mixed Income of Self Employed                | 2,500                   |
| ii)   | Net Factor Income from Abroad                | (-) 50                  |
| iii)  | Rent   | 500                     |
| iv)   | Private Income                               | 4,000                   |
| v)    | Consumption of Fixed Capital                 | 400                     |
| vi)   | Corporation Tax                              | 700                     |
| vii)  | Profits                                      | 300                     |
| viii) | Net Retained Earnings of Private Enterprises | 500                     |
| ix)   | Compensation of Employees                    | 1,600                   |
| x)    | Net Indirect Taxes                           | 500                     |
| xi)   | Net Current Transfers from Abroad            | 150                     |
| xii)  | Net Exports                                  | (-) 40                  |
| xiii) | Interest                                     | 500                     |
| xiv)  | Direct Taxes Paid by Households              | 300                     |