

Sample Question Paper
Class XII (2017-18)
Economics (030)

MM. 80

Time: 3 Hours

| Q.No. | SECTION A : MICROECONOMICS | Marks |
|-------|---|--------|
| 1 | Which of the following is a statement of normative nature in economics? a) Economics is study of choices/alternatives. b) Government should be concerned with how to reduce unemployment c) According to an estimate, in spite of severe shortage, more than 10% of houses in Indian cities are lying vacant. d) Accommodation of Refugees is posing a big problem for the Europe | 1 |
| 2 | Define Marginal Physical Product. | 1 |
| 3 | A firm is operating with a Total Variable Cost of ₹ 500 when 5 units of the given output are produced and the Total Fixed Costs are ₹ 200, what will be the Average Total Cost of producing 5 units of output? i) ₹ 140 ii) ₹ 100 iii) ₹ 120 iv) ₹ 300 | 1 |
| 4 | In an imperfectly competitive market, if the Total Revenue is maximum, Marginal Revenue will be | 1 |
| 5 | State and discuss any two factors that will shift the Production Possibility Frontier (PPF) to the right. <p style="text-align: center;">Or</p> Draft a hypothetical schedule for a straight line Production Possibility Curve. | 3 |
| 6 | Giving reason, state the impact of each of following on demand curve of a normal good 'X' if i) Price of its complementary good falls. ii) News reports claims that consumption of product X has harmful effect on human health. iii) Income of consumer increases, | 3 |
| 7 | a. Arrange the following coefficients of price elasticity of demand in ascending order: -0.87, -0.53, -3.1, -0.80 b. Comment upon the degree of elasticity of demand for commodity X, if the price of the commodity falls from ₹ 28 per unit to ₹ 23 per unit and its quantity demanded rises from 50 units to 100 units. | 1 3 |
| 8 | What is meant by Price Floor? Discuss in brief, any one consequence of imposition of floor price above equilibrium price with help of a diagram. <p style="text-align: center;">Or</p> How is the price of a commodity determined in a perfectly competitive market? Explain with help of a diagram. | 4 |
| 9 | Explain how the following factors affect the supply of the commodity (any two) a) Price of factor inputs b) State of technology c) Government taxation Policy | 4 |
| 10 | a) A consumer, Mr Aman is in state of equilibrium consuming two goods X and Y, with given prices P_x and P_y . What will happen if $\frac{MU_x}{P_x} > \frac{MU_y}{P_y}$? b) Identify which of the following is not true for the Indifference Curves theory. Give valid reasons for choice of your answer: | 2 4 |

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| | <p>a. Lower indifference curve represents lower level of satisfaction.</p> <p>b. Two indifference curves can intersect each other.</p> <p>c. Indifference curve must be convex to origin at the point of tangency with the budget line at the consumer's equilibrium.</p> <p>d. Indifference curves are drawn under the ordinal approach to consumer equilibrium.</p> <p style="text-align: center;">OR</p> <p>A consumer has total money income of ₹ 500 to be spent on two goods X and Y with prices of ₹50 and ₹ 10 per unit respectively. On the basis of the given information, answer the following questions:</p> <p>a. Give the equation of the budget line for the consumer.</p> <p>b. What is the value of slope of the budget line?</p> <p>c. How many units can the consumer buy if he is to spend all his money income on good X?</p> <p>d. How does the budget line change if there is a 50% fall in price of good Y?</p> | <p>1</p> <p>1</p> <p>2</p> <p>2</p> |
| 11 | <p>a) Why is Total Variable Cost curve inverse S- shaped?</p> <p>b) What is Average Fixed Cost of a firm? Why is an Average Fixed Cost Curve a rectangular Hyperbola? Explain with help of a diagram.</p> | <p>2</p> <p>4</p> |
| 12 | <p>Suppose the value of demand and supply curves of a Commodity-X is given by the following two equations simultaneously:</p> $Q_d = 200 - 10p \qquad Q_s = 50 + 15p$ <p>i) Find the equilibrium price and equilibrium quantity of commodity X.</p> <p>ii) Suppose that the price of a factor inputs used in producing the commodity has changed, resulting in the new supply curve given by the equation</p> $Q_s' = 100 + 15p$ <p>Analyse the new equilibrium price and new equilibrium quantity as against the original equilibrium price and equilibrium quantity.</p> | 6 |
| | SECTION B : MACROECONOMICS | |
| 13 | Define money supply? | 1 |
| 14 | State one fiscal measure that can be used to reduce the gap between rich and poor. | 1 |
| 15 | Define the capital receipts of a government. | 1 |

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|--------------|---|---------------|-------------|---------------|-------------|--|-----|-----|---------------------|--------------|-----|------------------|------|---|------------|----|---|---------------------------------------|-----|---|--------------------------------|-----|---|---------------------------|-----|---|-------------------------------|------|---|--|-----|----|--------|-----|----|-------------------------------|-----|----|----------|-----|------------|
| 16 | From the following data calculate Fiscal Deficit | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table><tr><td>S.No</td><td>Item</td><td>• in Billions</td></tr><tr><td>1</td><td>Capital Receipt</td><td>68</td></tr><tr><td>2</td><td>Revenue Expenditure</td><td>160</td></tr><tr><td>3</td><td>Interest Payment</td><td>20</td></tr><tr><td>4</td><td>Borrowings</td><td>32</td></tr><tr><td>5</td><td>Tax Revenue</td><td>50</td></tr><tr><td>6</td><td>Non- Tax revenue</td><td>10</td></tr></table> | S.No | Item | • in Billions | 1 | Capital Receipt | 68 | 2 | Revenue Expenditure | 160 | 3 | Interest Payment | 20 | 4 | Borrowings | 32 | 5 | Tax Revenue | 50 | 6 | Non- Tax revenue | 10 | | | | | | | | | | | | | | | | | | | |
| S.No | Item | • in Billions | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | Capital Receipt | 68 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | Revenue Expenditure | 160 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | Interest Payment | 20 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 | Borrowings | 32 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 | Tax Revenue | 50 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6 | Non- Tax revenue | 10 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 17 | Estimate the value of ex-ante AD, when autonomous investment and consumption expenditure (A) is ₹50 crores, and MPS is 0.2 and level of income is ₹300 crores. Or Calculate Multiplier when MPC is $\frac{4}{5}$ and $\frac{1}{2}$. From the calculations establish the relation between size of Multiplier and size of MPC? | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 18 | Discuss the significance of 45 degree line in Keynesian Economics. | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 19 | Elaborate ‘economic growth’ as objective of government budget. | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 20 | Use following information of an imaginary country: <table><tr><td>Year</td><td>2014 – 2015</td><td>2015– 2016</td><td>2016 - 2017</td></tr><tr><td>Nominal GDP</td><td>6.5</td><td>8.4</td><td>9</td></tr><tr><td>GDP deflator</td><td>100</td><td>140</td><td>125</td></tr></table> i) For which year is real GDP and nominal GDP same and why? ii) Calculate Real GDP for the given years. Is there any year for which Real GDP falls? | Year | 2014 – 2015 | 2015– 2016 | 2016 - 2017 | Nominal GDP | 6.5 | 8.4 | 9 | GDP deflator | 100 | 140 | 125 | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Year | 2014 – 2015 | 2015– 2016 | 2016 - 2017 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Nominal GDP | 6.5 | 8.4 | 9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| GDP deflator | 100 | 140 | 125 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 21 | How will ‘Reverse Repo Rate’ and ‘Open Market Operations’ control excess money supply in an economy? Or Illustrate with the help of a hypothetical numerical example the process of credit creation. | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 22 | a) Define Externality. b) Find National Income from following using expenditure method <table><tr><td></td><td></td><td>• (in crores)</td></tr><tr><td>1</td><td>Current transfers from rest of the world</td><td>50</td></tr><tr><td>2</td><td>Net Indirect taxes</td><td>100</td></tr><tr><td>3</td><td>Net Exports</td><td>- 25</td></tr><tr><td>4</td><td>Rent</td><td>90</td></tr><tr><td>5</td><td>Private Final Consumption Expenditure</td><td>900</td></tr><tr><td>6</td><td>Net Domestic Capital Formation</td><td>200</td></tr><tr><td>7</td><td>Compensation of Employees</td><td>500</td></tr><tr><td>8</td><td>Net Factor Income from Abroad</td><td>- 10</td></tr><tr><td>9</td><td>Government Final Consumption Expenditure</td><td>400</td></tr><tr><td>10</td><td>Profit</td><td>220</td></tr><tr><td>11</td><td>Mixed Income of Self Employed</td><td>400</td></tr><tr><td>12</td><td>Interest</td><td>230</td></tr></table> | | | • (in crores) | 1 | Current transfers from rest of the world | 50 | 2 | Net Indirect taxes | 100 | 3 | Net Exports | - 25 | 4 | Rent | 90 | 5 | Private Final Consumption Expenditure | 900 | 6 | Net Domestic Capital Formation | 200 | 7 | Compensation of Employees | 500 | 8 | Net Factor Income from Abroad | - 10 | 9 | Government Final Consumption Expenditure | 400 | 10 | Profit | 220 | 11 | Mixed Income of Self Employed | 400 | 12 | Interest | 230 | 2 4 |
| | | • (in crores) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | Current transfers from rest of the world | 50 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | Net Indirect taxes | 100 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | Net Exports | - 25 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 | Rent | 90 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 | Private Final Consumption Expenditure | 900 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6 | Net Domestic Capital Formation | 200 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 | Compensation of Employees | 500 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8 | Net Factor Income from Abroad | - 10 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9 | Government Final Consumption Expenditure | 400 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10 | Profit | 220 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11 | Mixed Income of Self Employed | 400 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12 | Interest | 230 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | <p style="text-align: center;">Or</p> <p>Will the following factor income be included in domestic factor income of India? Give reasons for your answer:-</p> <p>(i) Compensation of employees to the resident of Japan working in Indian embassy in Japan.</p> <p>(ii) Payment of fees to a Chartered Accountant by a firm</p> <p>(iii) Rent received by an Indian resident from Russian embassy in India.</p> <p>(iv) Compensation given by insurance company to an injured worker.</p> | |
| 23 | <p>State whether the following statements are true or false. Give valid reasons for your answers.</p> <p>(i) Unplanned inventories accumulate when planned investment is less than planned saving.</p> <p>(ii) Deflationary gap exists when aggregate demand is greater than aggregate supply at full employment level.</p> <p>(iii) Average propensity to save can never be negative.</p> | 6 |
| 24 | <p>a) 'Devaluation and Depreciation of currency is one and the same thing'. Do you agree? How do they affect the exports of a country?</p> <p>b) What is meant by 'official reserve transactions'? Discuss their importance in Balance of Payments.</p> | <p>3</p> <p>3</p> |