Class XII
Economics (030)
Sample Question Paper 2018-19

MM: 80   **Time Allowed: 3 hours**

General Instructions:

   i.   All questions in both sections are compulsory. However, there is internal choice in some questions.
   ii. Marks for questions are indicated against each question.
   iii. Question No.1-4 and 13-16 are very short answer questions carrying 1 mark each. They are required to be answered in one sentence.
   iv. Question No.5-6 and 17-18 are short answer questions carrying 3 marks each. Answers to them should not normally exceed 60 words each.
   v.   Question No.7-9 and 19-21 are also short answer questions carrying 4 marks each. Answers to them should not normally exceed 70 words each.
   vi. Question No.10-12 and 22-24 are long answer questions carrying 6 marks each. Answers to them should not normally exceed 100 words each
   vii. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

SECTION A – MICROECONOMICS	
1	State the reason why Total Variable Cost (TVC) curve and Total Cost (TC) curve are parallel to each other.	1
	Or	
	State the reason behind U-shape nature of Average Variable Cost curve.	
2	If the Total Revenue of a firm increases by ₹ 45,000 due to an increase in sale of Good X from 50 units to 65 units, then marginal revenue will be ₹...........................?	1

3	A Production Possibility Curve would be.................................... curve if all the available resources in an economy are equally efficient to produce both the goods.**(Choose the correct alternative)**
	    a) a straight line b) convex to origin
	    c) concave to origin d) upward sloping
		1

4	Which of the following is a variable cost?
	    a) Salary of permanent staff c) licence fees
	    b) rent of premises d) wages
		1

	Or	

	If Total Variable Cost and Total Fixed Cost of producing 10 units are ₹500 & ₹200, the value of average cost would be?
	    a) 50 b) 70
	    c) 20 d) 80	

5	Distinguish between Normative Economics and Positive Economics, with suitable examples.	3
	Or	
	Why do central problems arise? Discuss briefly.	
6	Mr. Atal Singh is consuming two goods X and Y. If he is facing a situation of $\frac{MU_X}{P_X} > \frac{MU_Y}{P_Y}$, discuss how would he reach the level of equilibrium.	3

7	Calculate and comment on nature of price elasticity of demand, if, with a rise in price of Good X from ₹ 10 to ₹ 12, the quantity demanded falls by 40%.	4
	Or	
	'As the price of a good falls, the resulting increased purchasing power may be a reason for increase in quantity demanded'. Do you agree with the given statement? Give reason for your answer.	

8 Complete the following production schedule:

Units of variable input	Total Physical Product (units)	Average Physical Product (units)	Marginal Physical Products (units)		4
1	10	10	--		
2	--	11	12		
3	--	--	8		
4	35	--	--		
5	--	--	-5		

9	Elaborate the price discrimination feature of monopoly.	4
	Or	
	Why number of firms is limited in an oligopoly market? Explain.	

10	a) Explain with the help of a hypothetical numerical example the assumption of diminishing marginal rate of substitution under the ordinal apporach of theory of consumer's behaviour.	4
	b) Why should marginal rate of subsititution diminish for a stable consumer's equilibrium?	2

11	Suppose the market for Good X is in equilibrium. Explain the chain effect, if: a) increase in market demand is less than the decrease in market supply. b) increase in market demand is more than the increase in market supply.	6

12	Examine the effects of the following on the supply curve of a Good X, using suitable diagram: a) fall in own price of Good X. b) rise in price of factor input producing Good X.	6
	Or	
	Define Producer's Equilibrium. Discuss briefly, the conditions of producer's equilibrium, assuming that the producer can sell more units of the good by lowering the price.	

SECTION B – MACROECONOMICS

13	Calculate the value of money multiplier if the legal reserve requirements are 20%.	1

14	What is money supply?	1
	Or	
	What is meant by Reverse Repo Rate?	

15	.... **(choose the correct alternative)** is a revenue receipt of the government.
	  a) Funds raised by the government by issuing National Saving Certificates
	  b) Sale of 40% shares of a public sector undertaking to a private enterprise
	  c) Profits of LIC, a public enterprise
	  d) Amount borrowed from Japan for construction of Bullet Train.
		1

16	Identify which of the following statements is true?
	  a) Fiscal deficit is difference between planned revenue expenditure and planned revenue receipts
	  b) Fiscal deficit is difference between total planned expenditure and total planned receipts
	  c) Primary deficit is the difference between total planned receipt and interest payments.
	  d) Fiscal deficit is the sum of primary deficit and interest payment.
		1

17	Estimate the value of Aggregate Demand in an economy if:
	  a) Autonomous Investment (I) = ₹100 Crore.
	  b) Marginal Propensity to Save = 0.2
	  c) Level of Income (Y) = ₹4,000 crores.
	  d) Autonomous Consumption Expenditure (c) = ₹50 Crore
	
	Or
	
	 In an economy C= 200+ 0.5 Y is the consumption function where C is the consumption expenditure and Y is the national income. Investment expenditure is ₹ 400 crores. Is the economy in equilibrium at an income level ₹ 1500 crores? Justify your answer.
		3

18	Explain how the level of effective demand is attained in an economy if, Aggregate Demand is more than the Aggregate Supply.	3
19	What is meant by problem of double counting? How this problem can be avoided? **Or** Discuss briefly, the circular flow of income in a two sector economy with the help of a suitable diagram.	4
20	Elaborate 'economic growth' as objective of government budget.	4

21	How the following tools can be used for credit control by the central bank in an economy:
	  a) Open Market Operations
	  b) Margin Requirements
		4

22	a) State any two precautions that must be taken into consideration while estimating national income by value added method.	2
	b) In an economy, following transactions took place. Calculate value of output and value added by Firm B:	4
	i. Firm A sold to firm B goods of ₹ 80 crore; to firm C ₹ 50 crore; to household ₹ 30 crore and goods of value ₹ 10 crore remains unsold	
	ii. Firm B sold to firm C goods of ₹ 70 crore; to firm D ₹ 40 crore; goods of value ₹ 30 crore were exported and goods of value ₹ 5 crore was sold to government.	
	Or	
	Differentiate between National Income at Current Prices and National Income at Constant Prices. Which of the two presents a better view of the economic growth of economy and why?	6
23	How an initial increase in investment affects the level of final income of the economy? Show its working with a suitable numerical example.	6
24	a) **According to recent media reports:**	3
	'USA has accused China of currency devaluation to promote its exports'. In the light of the given media report comment, how exports can be promoted through the Currency devaluation?	
	b) What is meant by Current Account Deficit (CAD) and Current Account Surplus (CAS)? State their significance.	3