Sample Question Paper (Set-2)
Economics (030)
Class XII (2015-16)

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. If it is given that the total variable cost for producing 15 units of output is ₹ 3000 and for 16 units is ₹3,500. Find the value of Marginal Cost. (1)

2. Ceteris Paribus, if the government provides subsidies on electricity bills, what would be the likely change in the market demand of desert coolers? (1)

3. Which of the can be referred to as ‘point of satiety’? (1)
   i) Marginal Utility is negative   iii) Total Utility is rising
   ii) Marginal utility is zero    iv) Total Utility is falling

4. Which of the following is an assumption of Production Possibility Frontier? (1)
   i) Resources are not fully employed.
   ii) Resources are not equally efficient for production of the two goods.
   iii) Resources are not efficiently employed.
   iv) Resources available are not fixed.

5. State any two central problems under ‘problem of allocation of resources’. (1)
6. ‘Supply curve is the rising portion of marginal cost curve over and above the minimum of
Average Variable cost curve’. Do you agree? Support your answer with valid reason. (3)

7. Explain ‘black marketing’ as a direct consequence of price ceiling. (3)

**OR**

Explain the concept of ‘buffer stock’ as a tool of price floor.

8. Explain any two sources of restricted entry under monopoly. (3)

9. Comment upon the degree of elasticity of demand for Good X, in the following given
situations, if the price of the commodity rises from ₹ 5 per unit to ₹ 7 per unit and the
quantity demanded falls from 20 units to 16 units:
   i) Using the total household expenditure method,
   ii) Using proportionate method. (4)

10. ‘Higher indifference curve represents higher level of satisfaction to the consumer’. Explain
the statement, also state the underlying assumption related to this property of indifference
curve. (4)

**OR**

A consumer consumes two goods X and Y. Explain what will happen if MUx/Px is greater
than MUy/Py?

11. Define Marginal Opportunity Cost. Explain the concept with a hypothetical numerical
example. (4)

12. a) What is meant by price rigidity, under oligopoly. (2)
    b) Elaborate the implication of the conditions of equilibrium of a firm. (4)

13. a) Distinguish between stock and supply.
    b) Complete the following schedule: (2+4)

<table>
<thead>
<tr>
<th>Units Produced</th>
<th>TPP (in ₹)</th>
<th>APP (in ₹)</th>
<th>MPP (in ₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>140</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>140</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>480</td>
<td></td>
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</tr>
</tbody>
</table>
14. Suppose the demand and supply curves of a Commodity-X is given by the following two
equations simultaneously:

\[ Q_d = 200 - p \quad \text{and} \quad Q_s = 50 + 2p \]

i) Find the equilibrium price and equilibrium quantity.

ii) Suppose that the price of a factor of production producing the commodity has
    changed, resulting in the new supply curve given by the equation
    \[ Q_s' = 80 + 2p \]
    Analyse the new equilibrium price and new equilibrium quantity as against the
    original equilibrium price and equilibrium quantity. (3+3)

15. Show diagrammatically the conditions for consumer’s equilibrium, in Hicksian analysis
of demand. (6)

**Section B: Macroeconomics**

16. If an economy is to control recession like most of the Euro-Zone nations, which of the
    following can be appropriate: (1)
    i) Reducing Repo Rate            iii) Both (i) and (ii)
    ii) Reducing CRR               iv) None of (i) and (ii)

17. Which of the following agency is responsible for issuing ₹ 1 currency note in India? (1)
    i) Reserve Bank of India.        iii) Ministry of Finance
    ii) Ministry of Commerce         iv) Niti Aayog

18. Flow of Goods & services and factors of production across different sectors in a barter
    economy is known as: (1)
    i) Circular flow                  iii) Monetary Flow
    ii) Real flow                    iv) Capital Flow

19. The government budget of a hypothetical economy presents the following information,
    which of the following value represents Budgetary Deficit. (all fig. in ₹ crores) (1)
    A. Revenue Expenditure = 25,000
    B. Capital Receipts = 30,000
    C. Capital Expenditure = 35,000
    D. Revenue Receipts = 20,000
    E. Interest Payments = 10,000
    F. Borrowings = 20,000

    i) ₹ 12,000            iii) ₹ 20,000
    ii) ₹ 10,000           iv) None of the above.
20. Which of the following statement is true? (1)
   i) Loans from IMF is a Revenue Receipt.
   ii) Higher revenue deficit necessarily leads to higher fiscal deficit.
   iii) Borrowing by a government represents a situation of fiscal deficit.
   iv) Revenue deficit is the excess of capital receipts over the revenue receipts.

21. ‘Devaluation and Depreciation of currency are one and the same thing’. Do you agree? How do they affect the exports of a country? (3)

22. If in an economy Saving function is given by \( S = (-) 50 + 0.2 Y \) and \( Y = \text{₹} 2000 \) crores; consumption expenditure for the economy would be \( \text{₹} 1,650 \) crores and the autonomous investment is \( \text{₹} 50 \) crores and the marginal propensity to consume is 0.8. True or False? Justify your answer with proper calculations.

   Or
   “Economists are generally concerned about the rising Marginal Propensity to Save (MPS) in an economy”. Explain why? (3)

23. Explain how the economy achieves equilibrium level of income using Savings-Investment (S-I) approach. (3)

24. Suppose in an imaginary economy GDP at Market Price in a particular fiscal year was \( \text{₹} 4,000 \) crores, National Income was \( \text{₹} 2,500 \) crores, Net Factor Income paid by the economy to Rest of the World was \( \text{₹} 400 \) crores and the value of Net Indirect Taxes is \( \text{₹} 450 \) Crores. Estimate the value of consumption of fixed capital for the economy from the given data. (4)

25. What is meant by ‘official reserve transactions’? Discuss their importance in Balance of Payments. (4)

26. State the various components of the Expenditure Method that are used to calculate national income. (4)

   OR

Discuss any two differences between GDP at constant prices and GDP at current Prices.

27. “Governments across nations are too much worried about the term fiscal deficit”. Do you think that fiscal deficit is necessarily inflationary in nature? Support your answer with valid reasons. (6)

28. Derive a straight line saving curve using the following consumption function: \( C = 20 + 0.6Y \).
   Presuming the income levels to be \( \text{₹} 100, \text{₹} 200 \) and \( \text{₹} 300 \) crores. Also calculate that level of income where consumption is equal to income. (6)
For Visually Impaired candidates:

Calculate savings from the following saving function:  \( C = 20 + 0.6Y \). (6)

Presuming the income levels to be ₹ 100, ₹ 200 and ₹ 300 crores. Also calculate that level of income where consumption is equal to income.

29. a) What is meant by Repo Rate? How does the Central Bank use this measure to control inflationary conditions in an economy?

b) What is meant by Margin Requirement? How does the Central Bank use this measure to control deflationary conditions in an economy? (3+3)

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

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Items</th>
<th>Amount (in ₹Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>i)</td>
<td>Net Exports</td>
<td>155</td>
</tr>
<tr>
<td>ii)</td>
<td>Government final consumption expenditure</td>
<td>2500</td>
</tr>
<tr>
<td>iii)</td>
<td>Subsidies</td>
<td>120</td>
</tr>
<tr>
<td>iv)</td>
<td>Gross domestic fixed capital formation</td>
<td>1190</td>
</tr>
<tr>
<td>v)</td>
<td>Net factor income to abroad</td>
<td>125</td>
</tr>
<tr>
<td>vi)</td>
<td>Net decrease in inventories</td>
<td>100</td>
</tr>
<tr>
<td>vii)</td>
<td>Net Exports</td>
<td>(-) 420</td>
</tr>
<tr>
<td>viii)</td>
<td>Net Indirect Taxes</td>
<td>470</td>
</tr>
<tr>
<td>ix)</td>
<td>Net Current transfers from abroad</td>
<td>350</td>
</tr>
<tr>
<td>x)</td>
<td>Current replacement cost</td>
<td>145</td>
</tr>
<tr>
<td>xi)</td>
<td>Private final consumption expenditure</td>
<td>2200</td>
</tr>
</tbody>
</table>

OR

Explain any four limitations of using GDP as a measure/index of welfare of a country.