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. **Or** 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. . **Or** 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 Px and Py . What will happen if $\frac{MUx}{Px} > \frac{MUy}{Py}$? b) Identify which of the following is not true for the Indifference Curves theory. Give valid reasons for choice of your answer:	2 4

	a. Lower indifference curve represents lower level of satisfaction. b. Two indifference curves can intersect each other. c. Indifference curve must be convex to origin at the point of tangency with the budget line at the consumer's equilibrium. d. Indifference curves are drawn under the ordinal approach to consumer equilibrium. **OR** 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: a. Give the equation of the budget line for the consumer. b. What is the value of slope of the budget line? c. How many units can the consumer buy if he is to spend all his money income on good X? d. How does the budget line change if there is a **50%** fall in price of good Y?	 1 1 2 2
11	a) Why is Total Variable Cost curve inverse S- shaped? 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.	2 4
12	Suppose the value of demand and supply curves of a Commodity-X is given by the following two equations simultaneously: Qd = 200 –10p Qs = 50 + 15p i) Find the equilibrium price and equilibrium quantity of commodity X. 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 Qs' = 100 + 15p Analyse the new equilibrium price and new equilibrium quantity as against the original equilibrium price and equilibrium quantity.	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

16	From the following data calculate Fiscal Deficit 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	1
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: Year | 2014 – 2015 | 2015– 2016 | 2016 - 2017 Nominal GDP | 6.5 | 8.4 | 9 GDP deflator | 100 | 140 | 125 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?	4
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	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

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