

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:	4																								
	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 25%;">Units of variable input</th> <th style="width: 25%;">Total Physical Product (units)</th> <th style="width: 25%;">Average Physical Product (units)</th> <th style="width: 25%;">Marginal Physical Products (units)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>10</td> <td>10</td> <td>--</td> </tr> <tr> <td>2</td> <td>--</td> <td>11</td> <td>12</td> </tr> <tr> <td>3</td> <td>--</td> <td>--</td> <td>8</td> </tr> <tr> <td>4</td> <td>35</td> <td>--</td> <td>--</td> </tr> <tr> <td>5</td> <td>--</td> <td>--</td> <td>-5</td> </tr> </tbody> </table>		Units of variable input	Total Physical Product (units)	Average Physical Product (units)	Marginal Physical Products (units)	1	10	10	--	2	--	11	12	3	--	--	8	4	35	--	--	5	--	--	-5
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	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 approach of theory of consumer's behaviour.	4																								
	b) Why should marginal rate of substitution 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	<p>..... (choose the correct alternative) is a revenue receipt of the government.</p> <p>a) Funds raised by the government by issuing National Saving Certificates</p> <p>b) Sale of 40% shares of a public sector undertaking to a private enterprise</p> <p>c) Profits of LIC, a public enterprise</p> <p>d) Amount borrowed from Japan for construction of Bullet Train.</p>	1
16	<p>Identify which of the following statements is true?</p> <p>a) Fiscal deficit is difference between planned revenue expenditure and planned revenue receipts</p> <p>b) Fiscal deficit is difference between total planned expenditure and total planned receipts</p> <p>c) Primary deficit is the difference between total planned receipt and interest payments.</p> <p>d) Fiscal deficit is the sum of primary deficit and interest payment.</p>	1
17	<p>Estimate the value of Aggregate Demand in an economy if:</p> <p>a) Autonomous Investment (I) = ₹100 Crore.</p> <p>b) Marginal Propensity to Save = 0.2</p> <p>c) Level of Income (Y) = ₹4,000 crores.</p> <p>d) Autonomous Consumption Expenditure (c) = ₹50 Crore</p> <p style="text-align: center;">Or</p> <p>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.</p>	3
18	<p>Explain how the level of effective demand is attained in an economy if, Aggregate Demand is more than the Aggregate Supply.</p>	3
19	<p>What is meant by problem of double counting? How this problem can be avoided?</p> <p style="text-align: center;">Or</p> <p>Discuss briefly, the circular flow of income in a two sector economy with the help of a suitable diagram.</p>	4
20	<p>Elaborate 'economic growth' as objective of government budget.</p>	4
21	<p>How the following tools can be used for credit control by the central bank in an economy:</p> <p>a) Open Market Operations</p> <p>b) Margin Requirements</p>	4

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22	<p>a) State any two precautions that must be taken into consideration while estimating national income by value added method.</p> <p>b) In an economy, following transactions took place. Calculate value of output and value added by Firm B:</p> <p>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</p> <p>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.</p>	2 4
	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	<p>a) According to recent media reports:</p> <p>'USA has accused China of currency devaluation to promote its exports'.</p> <p>In the light of the given media report comment, how exports can be promoted through the Currency devaluation?</p>	3
	<p>b) What is meant by Current Account Deficit (CAD) and Current Account Surplus (CAS)? State their significance.</p>	3

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