

**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
  - ii) Marginal utility is zero
  - iii) Total Utility is rising
  - 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  $MU_x/P_x$  is greater than  $MU_y/P_y$ ?

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)

Units Produced	TPP (in ₹)	APP (in ₹)	MPP (in ₹)
1	100		
2			140
3		140	
4	480		

14. Suppose the demand and supply curves of a Commodity-X is given by the following two equations simultaneously:

$$Q_d = 200 - p$$

$$Q_s = 50 + 2p$$

- 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  $Y = ₹ 2000$  crores; consumption expenditure for the economy would be ₹ 1,650 crores and the autonomous investment is ₹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 ₹ 4,000 crores, National Income was ₹2,500 crores, Net Factor Income paid by the economy to Rest of the World was ₹ 400 crores and the value of Net Indirect Taxes is ₹ 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: (6)

$$C = 20 + 0.6Y.$$

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

***For Visually Impaired candidates:***

Calculate savings from the following saving function: (6)

$$C = 20 + 0.6Y.$$

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)

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

**OR**

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