DESIGN OF QUESTION PAPER
ECONOMICS (030)
CLASS-XII (2012-13)

Marks – 100 Duration – 3 hrs.

1. Weightage by type of questions

Type	Number of questions	Marks	Total	Estimated time a candidate is expected to take to answer
Long answer questions	6	6	36	60 minutes
Short answer questions I	6	4	24	36 minutes
Short answer questions II	10	3	30	50 minutes
Very short answer questions	10	1	10	15 minutes

2. Weightage by content

Unit No.	Unit Title	Marks
1	Introduction	4
2	Consumer Equilibrium and Demand	18
3	Producer Behaviour and Supply	18
4	Forms of Market and Price Determination	10
5	National Income and Related Aggregates	15
6	Money and Banking	8
7	Determination of Income and Employment	12
8	Government Budget and the Economy	8
9	Balance of Payments	7
10	Total	100

3. Difficulty level of the question paper

Level	Marks	% age of the total marks
A. Easy (Can be attempted satisfactorily by students who have gone through the study material)	30	30
B. Average (Can be attempted by students who have regularly studied the study material but may not have given sufficient time to writing.	50	50
C. Difficult (Can be attempted by top students)	20	20

4. Scheme of Options

There is no overall choice. However, there is an internal choice in one question of 6 marks, one question of 4 marks and one question of 3 marks in each section. Thus there will be internal choice to 6 questions.

5. Value based questions

The question paper will contain value based question/questions to the extent of 5 marks.

SAMPLE QUESTION PAPER
ECONOMICS (030)
CLASS-XII (2012-13)
BLUE PRINT

Maximum Marks: 100 Time: 3 hours

BLUE PRINT

Sl. No.	Content Unit	Forms of Questions			
		Very Short Answer (1 Mark)	Short Answer (3,4 Marks)	Long Answer (6 Marks)	Total
1.	Unit 1	1 (1)	3 (1)	-	4 (2)
2.	Unit 2	1 (2)	3 (2) 4 (1)	6(1)	18 (6)
3.	Unit 3	1 (1)	3 (1) 4 (2)	6 (1)	18 (5)
4.	Unit 4	1 (1)	3 (1)	6 (1)	10 (3)
5.	Unit 6	-	3 (3)	6 (1)	15 (4)
6.	Unit 7	1 (2)	-	6 (1)	8 (3)
7.	Unit 8	1 (2)	4 (1)	6 (1)	12 (4)
8.	Unit 9	-	4 (2)	-	8 (2)
9	Unit 10	1 (1)	3 (2)	-	7 (3)
	Sub-Total	10 (10)	30 (10) 24 (6)	36 (6)	100 (32)

Notes:

1. Figures within brackets indicate the number of questions and figures outside the brackets indicate marks for each question.
2. The question paper will include Value based questions to the extent of five marks.

SAMPLE QUESTION PAPER
ECONOMICS (030)
CLASS-XII (2012-13)

Time – 3 Hours. Maximum Marks – 100

Instructions

1. All questions in both the sections are compulsory.
2. Marks for questions are indicated against each.
3. Question Nos. 1-5 and 17-21 are very short-answer questions carrying 1 mark each. They are required to be answered in one sentence each.
4. Question Nos. 6-10 and 22-26 are short-answer questions carrying 3 marks each. Answer to them should not normally exceed 60 words each.
5. Question Nos. 11-13 and 27-29 are also short-answer questions carrying 4 marks each. Answer to them should not normally exceed 70 words each.
6. Question Nos. 14-16 and 30-32 are long-answer questions carrying 6 marks each. Answer to them should not normally exceed 100 words each.
7. Question Nos. 11 and 19 are value based questions.
8. Answer should be brief and to the point and the above word limit be adhered to as far as possible.

Section A

1. State two features of resources that give rise to an economic problem. (1)
2. What happens to total expenditure on a commodity when its price falls and its demand is price elastic? (1)
3. What happens to equilibrium price of a commodity if there is an 'increase' in its demand and 'decrease' in its supply? (1)
4. Give the meaning of equilibrium market price of a good. (1)
5. What is meant by cost in economics? (1)
6. State any three factors that can cause an 'increase' in demand of a commodity. (3)
7. Will the supply at a point on a positively sloped, straight line supply curve be unitary elastic, elastic or inelastic? (3)
8. Explain why is production possibility frontier concave.

   OR

   Explain the central problem "how to produce." (3)
9. How does the nature of a commodity influence its price elasticity of demand? Explain. (3)
10. Calculate the price elasticity of demand for a commodity when its price increases by 25% and quantity demanded falls from 150 units to 120 units. (3)
11. Demand for electricity Has "increased". However supply cannot be increased due to lack of resources. Explain how, in any two ways, demand for electricity can be "decreased". (4)
12. Explain the relation between marginal revenue and average revenue when a firm is able to sell more quantity of output:

    (i) at the same price.

    (ii) only by lowering the price.

    OR

    Explain the effect of the following on the supply of a commodity:

    (a) Fall in the prices of factor inputs.

    (b) Rise in the prices of other commodities. (4)

13. On the basis of the information given below, determine the level of output at which the producer will be in equilibrium. Use the marginal cost – marginal revenue approach. Give reasons for your answer.

Output (Units)	Average Revenue (Rs)	Total Cost (Rs)	
1	7	8	
2	7	15	
3	7	21	
4	7	26	
5	7	33	
6	7	41	(4)

14. Why does the difference between Average Total Cost and Average Variable Cost decrease as the output is increased? Can these two be equal at some level of output? Explain. (6)

15. Explain the implications of the following features of perfect competition:

(a) large number of buyers and sellers

(b) freedom of entry and exit to firms (6)

16. A consumer consumes only two goods. For the consumer to be in equilibrium why must marginal rate of substitution be equal to the ratio of prices of the two goods? (6) Explain.

OR

A consumer consumes only two goods. Why is the consumer in equilibrium when he buys only that combination of the two goods that is shown at the point of tangency of the budget line with an indifference curve? Explain.

The following question is for the blind candidates only in lieu of "or part" of question No.16

Explain when a consumer, consuming only two commodities X and Y, attains equilibrium under the utility approach. (6)

Section B

17. Give the meaning of involuntary unemployment. (1)

18. What is the relationship between marginal propensity to save and marginal propensity to consume? (1)

19. The market price of US Dollar has increased considerably leading to rise in prices of the imports of essential goods. What can Central Bank do to ease the situation? (1)

20. State the two components of money supply. (1)

21. What is Cash Reserve Ratio? (1)

22. From the following data about a firm, calculate the firm's net value added at factor cost:

		(Rs in Lac)
(i)	Subsidy	40
(ii)	Sales	800
(iii)	Depreciation	30
(iv)	Exports	100
(v)	Closing stock	20
(vi)	Opening stock	50
(vii)	Intermediate purchases	500
(viii)	Purchase of machinery for own use	200
(ix)	Import of raw material	60

(3)

23. Give the meaning of Nominal GDP and Real GDP. Which of these is the indicator of economic welfare and why? (3)

24. 'Machine' purchased is always a final good.' Do you agree? Give reasons for your answer. (3)

25. Explain the effect of depreciation of domestic currency on exports. (3)

OR

Explain the effect of appreciation of domestic currency on imports.

26. Distinguish between the current account and the capital account of Balance of Payments. Is import of machinery recorded in current account or capital account? Give reasons for your answer. (3)

27. What is a government budget? Give the meaning of :

(a) Revenue deficit

(b) Fiscal deficit (4)

28. Categorise the following government receipts into revenue receipts and capital receipts. Give reason for your answer.

(a) Receipts from sale of shares of a public sector undertaking.

(b) Borrowings from public.

(c) Profits of public sector undertakings.

(d) Income tax received by government. (4)

29. Explain equilibrium level of national income using Savings and Investment approach. Draw diagram in support of your explanation.

The following question is for Blind Candidates only in lieu of Question No. 29 above:

Explain equilibrium level of national income using Savings and Investment approach.

OR

Complete the following table:

Income	Saving	Marginal Propensity to Consume	Average Propensity to Consume
0	-20	-	-
50	- 10	_________	_________
100	0	_________	_________
150	30	_________	_________
200	60	_________	_________

(4)

30. Explain the process of money creation by commercial banks, giving a numerical example. (6)

31. Draw a straight line consumption curve. From it derive a savings curve explaining the process of derivation. Show in this diagram:

(a) the level of income at which Average Propensity to Consume is equal to one.

(b) a level of income at which Average Propensity to Save is negative.

The following question is for Blind Candidates only in lieu of Question No. 31

Explain the meaning of underemployment equilibrium. State two monetary policy measures that can be taken to make the economy reach full employment equilibrium. (6)

32. From the following data calculate National Income by Income and Expenditure methods:

		(Rs crore)
(i)	Government final consumption expenditure	100
(ii)	Subsidies	10
(iii)	Rent	200
(iv)	Wages and salaries	600
(v)	Indirect taxes	60
(vi)	Private final consumption expenditure	800
(vii)	Gross domestic capital formation	120
(viii)	Social security contributions by employers	55
(ix)	Royalty	25
(x)	Net factor income paid to abroad	30
(xi)	Interest	20
(xii)	Consumption of fixed capital	10
(xiii)	Profit	130
(xiv)	Net exports	70
(xv)	Change in stock	50

(6)

OR

Calculate Gross National Disposable Income and Personal Income from the given data:

		(Rs crore)
(i)	Personal tax	120
(ii)	Net indirect tax	100
(iii)	Corporation tax	90
(iv)	National income	1000
(v)	Net factor income from abroad	5
(vi)	Consumption of fixed capital	50
(vii)	National debt interest	70
(viii)	Retained earnings of private corporate sector	40
(ix)	Net current transfers to the rest of the world	(-)20
(x)	Current transfers from government	30
(xi)	National income accruing to government	80

Marking Scheme
for
Sample Question Paper

Section A

1. The two features of resources that give rise to an economic problem are

   (i) resources are limited and

   (ii) they have alternative uses. ½ x2

2. Total expenditure increases. 1

3. Equilibrium price increases. 1

4. It is the price at which market demand and market supply of the good are equal. 1

5. Cost of producing a good is the sum of actual expenditure on inputs and the imputed expenditure on the inputs supplied by the owner. 1

6. The factors causing an increase in demand of a commodity are:

   (i) Rise in the price of substitute goods.

   (ii) Fall in the price of complementary goods.

   (iii) Rise in income of its buyers (in case of a normal good).

   (iv) Fall in income of its buyers (in case of an inferior good).

   (v) Favourable change in taste etc for the good.

   (vi) Increase in the number of its buyers.

   (Any three) 1x3

7. Es = 1, i.e. unitary elastic at any point on the supply curve if it touches the origin when extended.

   Es >1, i.e. elastic at any point on the supply curve if it touches the Y-axis when extended.

   Es<1, i.e. inelastic at any point on the supply curve if it touches the X-axis when extended.

   Note: No diagram is required but if this question is answered with the help of 1x3 diagrams may also be treated as correct.

8. Production Possibility Frontier (PPF) is a downward sloping, concave curve. Concavity shows increasing Marginal Rate of Transformation (MRT) as more quantity of one good is produced by reducing quantity of the other good. This behaviour of the MRT is based on the assumption that no resource is equally efficient in production of all the goods. As more of one good is produced, less and less efficient resources have to be transferred from the production of the other good which raises marginal cost i.e. MRT. 3

OR

'How to produce' is the problem of choosing the technique of production. Techniques are broadly classified into capital intensive and labour intensive. The problem is to use capital intensive technique in which more of capital goods like machines, etc. are used, or to use labour intensive technique in which more of labour is used. 3

9. A commodity for a person may be a necessity, a comfort or a luxury.

When a commodity is a necessity its demand is generally inelastic.

When a commodity is a comfort its demand is generally elastic.

When a commodity is a luxury its demand is generally more elastic that the demand for comforts. 1x3

10. $$E_d = \frac{\text{percentage change in demand}}{\text{percentage change in price}}$$ 1

$$= \frac{\frac{-30}{150} \times 100}{25}$$ 1½

$$= -0.8$$ ½

11. Consumer can (1) use energy saving electrical appliances, (2) use alternate sources of energy like solar energy, etc (or any other) (Explain). 4

12. (i) Price is constant. As price means average revenue, so average revenue is

also constant. Average revenue is constant only when marginal revenue is equal to average revenue. Thus, when a firm is able to sell more quantity of output at the same price marginal revenue is equal to average revenue. 2

(ii) If more can be sold only by lowering the price, it means that average revenue falls as more is sold. Average revenue falls only when marginal revenue is less than average revenue. Thus, when a firm is able to sell more quantity by lowering the price, marginal revenue will be less than the average revenue. 2

OR

(i) When the prices of factor inputs decrease, the cost of production decreases. Thus, it becomes more profitable to produce the commodity and so its supply will increase. 2

(ii) When the prices of other goods rise, it becomes relatively more profitable to produce these goods in comparison to the given good. This results in diversion of resources from the production of given good to other goods. So, the supply of the given good decreases. 2

13.

Output (units)	AR (Rs)	TC (Rs)	MC (Rs)	MR (Rs)	
1	7	8	8	7	
2	7	15	7	7	
3	7	21	6	7	
4	7	26	5	7	
5	7	33	7	7	Equilibrium
6	7	41	8	7	1

The producer achieves equilibrium at 5 units of output. It is because this level of output satisfies both the conditions of producer's equilibrium : 1

(i) Marginal cost is equal to marginal revenue. 1

(ii) Marginal cost becomes greater than MR after this level of output. 11

14. Average Total Cost (ATC) minus Average Variable Cost (AVC) is equal to Average Fixed Cost (AFC). AFC = TFC / Output. Therefore, as output increases, AFC falls. So, the difference between ATC and AVC decreases with increase in output. 3

ATC and AVC can never be equal at any level of output as AFC can never be zero because TFC is positive. 3

15. (a) The number of sellers is so large that the share of each is insignificant in the total supply. Hence, an individual seller cannot influence the market on its own. Similarly, a single consumer's share in total purchase is so insignificant because of their large numbers that she cannot influence the market price on her own. 3

(b) The implication is that firms will earn only normal profit in the long run. In the short run, there can be abnormal profits or losses. If there are abnormal profits, new firms enter the market. The total market supply increases, resulting in a fall in market price and a fall in profits. This trend continues till profits are reduced to normal.

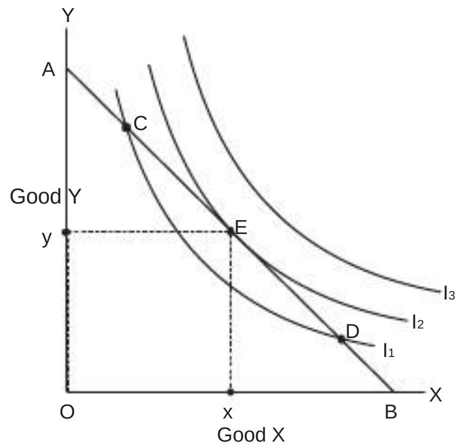
Similarly, if there are losses, firms start exiting. The total market supply decreases resulting in a rise in market price, and a reduction in losses. This trend continues till losses are wiped out. 3

16. Let the two goods be X and Y. MRSxy is the number of units of Y the consumer is willing to sacrifice to obtain one extra unit of X. The ratio of prices is Px/Py which also equals the ratio of the number of units of Y required to be sacrificed to obtain one extra unit of X in the market. 2

Initially when the consumer starts purchases, MRSxy is greater than Px/Py. It means that to obtain one extra unit of X the consumer is willing to sacrifice more than he has to sacrifice actually. The consumer gains. As he goes on obtaining more and more units of X, marginal utility of X goes on declining. Therefore the consumer is willing to sacrifice less and less of Y each time he obtains one extra unit of X. As a result MRSxy falls and ultimately becomes equal to Px/Py at some combination of X and Y. At this combination the consumer is in equilibrium. 3

If the consumer attempts to obtain more units of X beyond the equilibrium level, MRSxy will become less than Px/Py and his total utility will start falling. So he will not try to obtain more of X.

OR 1



2

Let the two goods be X and Y as shown in the diagram. The tangency is at point E where :

Slope of indifference curve = Slope of budget line

Or MRSxy = P_x/P_y

The equilibrium purchase is Ox of X and Oy of Y on the indifference curve I_2.

The consumer cannot get satisfaction level higher than I_2 because his income does not permit him to move above the budget line AB. The consumer will not like to purchase any other bundle on the budget line AB, for example the bundle at C and D, because they all lie on the lower indifference curve, and give him lower satisfaction. Therefore, the equilibrium choice is only at the tangency point E. 2

For the Blind candidates in lieu of 'OR PART' of Q. No. 16 2

Consumer's equilibrium means maximum satisfaction level of the consumer, given his income and prices in the market. There are two conditions of equilibrium in utility analysis:

1) Ratio of marginal utility to price in case of expenditure on each commodity is the same i.e. 1

$$\frac{MU_x}{P_x} = \frac{MU_y}{P_y}$$

If MUyMUx is greater than, the consumer will buy more units of X by
PyPx
diverting expenditures MUy. It will lead to fall in MUx and rise in MUy. The change will continue till MUx/Px is equal to MUx/Py once again.

The change will be in the opposite direction if MUyMUx is less than
PyPx
till the equilibrium is achieved.

2) Marginal utility falls as more is consumed i.e. the law of diminishing marginal utility is in operation. The first condition will not be satisfied until the second is satisfied. 3

2

Section B

17. Involuntary unemployment occurs when those who are able and willing to work at the prevailing wage rate do not get work. 1

18. The sum of MPC and MPS is equal to one. 1

19. The Central Bank can start selling US Dollars from its 'reserves'. 1

20. The two components of money supply are: currency held by the public and demand deposits with commercial banks. 1

21. Cash Reserve Ratio is the ratio of bank deposits that commercial banks must keep as reserves with the Central Bank. 1

22. NVAfc = (ii) + (v) – (vi) – (vii) – (iii) + (i) 1

= 800 + 20 – 50 – 500 – 30 + 40 1½

= Rs 280 lakh ½

23. Nominal GDP values the current year's output in an economy at current year prices.

Real GDP values the current year's output in an economy at a set of constant 1 prices.

Real GDP is the indicator of economic welfare because it shows the quantity 1 of goods and services made available to the society during the year. 1

24. Whether 'machine' is a final good or not depends on how it is being used.

If the machine is bought by a household, then it is a final good.

If the machine is bought by a firm for its own use, then also it is a final good. 1

If the machine is bought by a firm for reselling then it is an intermediate 1 good. 1

25. Domestic currency depreciates when there is a rise in foreign exchange rate. With the rise in foreign exchange rate the foreign counties can now purchase more quantity of goods and services from the same amount of foreign currency from the domestic economy. As a result exports rise. 3

OR

Domestic currency appreciates when there is a fall in foreign exchange rate. With the fall in foreign exchange rate the domestic economy can now buy more quantity of goods and services from foreign countries from the less amount of domestic currency. As a result imports rise. 3

26. The current account records transactions relating to the export and import of goods and services, income and transfer receipts and payments during a year. 1

The capital account records transactions affecting foreign assets and foreign liabilities during a year. 1

Since import of machinery is an import of good, it is recorded in the current account. 1

27. Government budget is a statement of expected receipt and expenditure of 1 the government during a financial year.

Revenue deficit is the excess of revenue expenditure over revenue receipts 1½

Fiscal deficit is the excess of total expenditure over total receipts excluding borrowings. 1½

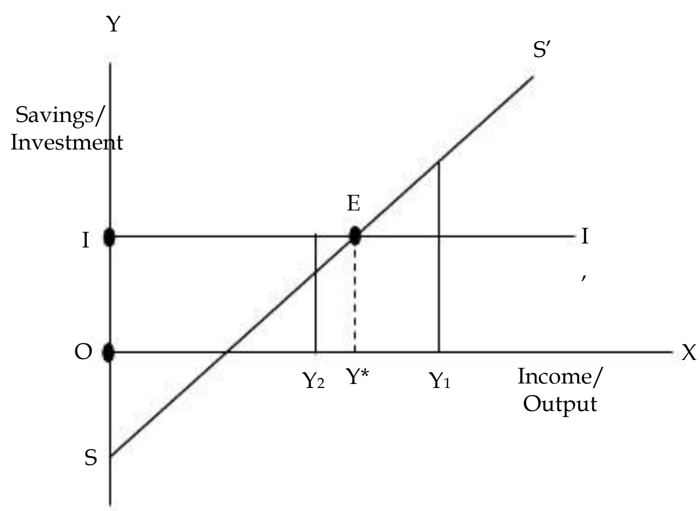
28. (a) It is a capital receipt as it results in a reduction of assets.

(b) It is a capital receipt as it creates a liability.

(c) It is a revenue receipt as it neither creates a liability nor reduces any 1 asset. 1

(d) It is a revenue receipt as it neither creates a liability nor reduces any 1 asset. 1

29. The equilibrium level of national income is that level at which planned 1 saving and planed investment are equal. In the diagram equilibrium is at E and equilibrium income is OY*.



1

At an income level OY_1, planned savings are greater than planned investment. This means that households aggregate expenditure is less than income. As a result inventories increase. Firms, seeing a build up of unplanned inventories start cutting production, and hence output, income and savings fall. This process continues till planned savings and planned investment are equal. 1

At an income level OY_2, planned savings are less than planned investment. This means that aggregate expenditure is more than income. Firms, seeing a depletion of planned inventories step up production, and hence output and income increase. Savings increase. This process continues till planned savings and planned investment are equal. 1

For Blind Candidates in lieu of Question No.29 above

Same as above except diagram.

OR

Income	ΔY	S	C	ΔC	MPC	APC
0	–	–20	20	–	–	–
50	50	-10	60	40	0.8	1.2
100	50	0	100	40	0.8	1.0
150	50	30	120	20	0.4	0.8
200	50	60	140	20	0.4	0.7

½x8=4

30. Money creation (or deposit creation or credit creation) by the banks is determined by (1) the amount of the initial fresh deposits and (2) the Legal Reserve Ratio (LRR), the minimum ratio of deposit legally required to be kept as cash by the banks. It is assumed that all the money that goes out of banks is redeposit into the banks.

Let the LRR be 20% and there is a fresh deposit of Rs. 10,000. As required, the banks keep 20% i.e. Rs. 2000 as cash. Suppose the banks lend the remaining Rs. 8000. Those who borrow use this money for making payments. As assumed those who receive payments put the money back into the banks. In this way banks receive fresh deposits of Rs. 8000. The banks again keep 20% i.e. Rs. 1600 as cash and lend Rs. 6400, which is also 80% of the last deposits. The money again comes back to the banks leading to a fresh deposit of Rs. 6400. The money goes on multiplying in this way, and ultimately total money creation is Rs. 50000.

Given the amount of fresh deposit and the LRR, the total money creation is :

Total money creation = Initial deposit x $\frac{1}{LRR}$ 6

31

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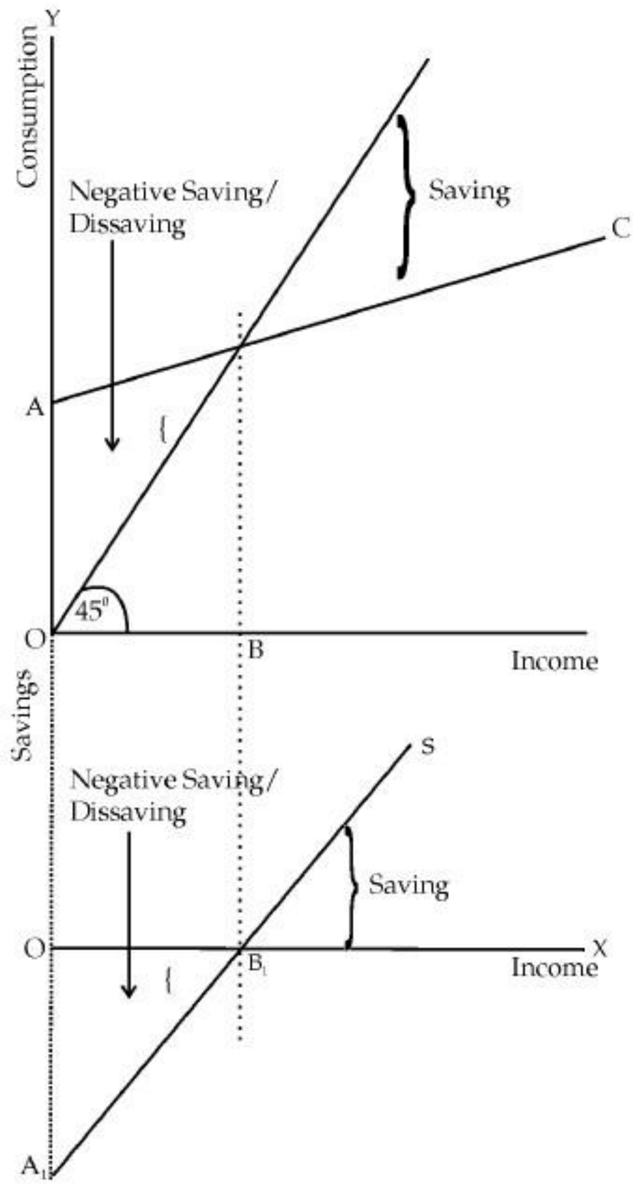

2

AC is the consumption curve and OA is the consumption expenditure at zero level of income.

Income minus consumption is savings. When income is zero, the economy's consumption level is OA. Thus, the corresponding level of savings is – OA.

So, A_1 is the starting point of saving curve

At OB level of income consumption is equal to income, so savings are zero.

So B_1 is another point on saving curve 2

Joining A_1 and B_2 and extending we get the saving curve S. 1

The level of income at which APC is equal to one is OB 1

A level of income at which APS is negative is the level less than OB. 4

For Blind Candidates in lieu of Question No. 31

An economy is in equilibrium when aggregate demand is equal to aggregate supply. If aggregate demand is only sufficient to support a level of aggregate 2 supply at less than full employment, then the economy is in under full employment equilibrium.

The two monetary policy measures are :

1. Reduction in bank rate by the Central Bank.
2. Reduction in cash reserve Ration by the Central Bank.

31. Income Method 1

National Income = iv + viii + (iii + ix) + xi +xiii – x 1½

= 600 + 55 + (200 +25) + 20 +130 -30 1½

= Rs 1,000 crore

Expenditure Method 1

National Income = vi + i + vii + xiv – v + ii – xii – x 1½

= 800 + 100 + 120 + 70 – 60 + 10 – 10 – 30 1½

= Rs 1,000 crore

OR

1

GNDI = iv + ii + vi – ix 1½

= 1000 + 100 + 50 – (-20) 1½

= Rs 1170 crore

Personal Income = (iv –xi) + (vii – ix + x) – viii – iii 1

= 1000 -80 + 70 – (- 20) + 30 – 40 – 90 1½

= Rs 910 crore 1½

Sample Question Paper

Economics

Class XII

Max. Marks – 100 Time : 3 hrs.

Question wise Analysis

S. No. of Q.	Unit No.	Marks allotted	Estimated Time (Min)	Estimate difficulty level
1	1	1	1½	A
2	2	1	1½	B
3	4	1	1½	A
4	4	1	1½	A
5	3	1	1½	C
6	2	3	5	A
7	3	3	5	A
8	1	3	5	A
9	2	3	5	A
10	4	3	5	B
11	2	4	6	A
12	3	4	6	B
13	3	4	6	B
14	3	6	10	B
15	4	6	10	B
16	2	1	10	C
17	8	1	1½	A
18	8	1	1½	A
19	10	1	1½	C
20	7	1	1½	A
21	7	3	1½	A
22	6	3	5	B
23	6	3	5	A
24	6	3	5	B
25	10	3	5	B
26	10	4	5	B

27	9	4	6	A
28	9	4	6	B
29	8	6	6	B
30	7	6	10	C
31	8	6	10	C
32	6	6	10	B

Reference for difficulty level

A	Easy	30%	30 Marks
B	Average	50%	50 Marks
C	Difficult	20%	20 Marks