DESIGN OF QUESTION PAPER
ECONOMICS
Class - XII

Marks - 100   Duration - 3 hrs.

1.   **Weightage by types 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/ Sub-Units	Marks
1.	Introduction	4
2.	Consumer Behaviour and Demand	13
3.	Producer Behaviour and Supply	23
4.	Forms of Market and Price determination	10
5.	National income and related aggregates	15
6.	Determination of income and employment	12
7.	Money and Banking	8
8.	Government Budget and the economy	8
9.	Balance of Payments	7
		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.

Time - 3 Hours.   **Maximum marks - 100**

Notes :

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. Answer should be **brief** and to the point and the above word limit be adhered to as far as possible.

Section A

1. What gives rise to an economic problem? (1)

2. Define 'production function'. (1)

3. What happens to equilibrium price of a commodity if there is 'decrease' in its demand and 'increase' in its supply?

4. What induces new firms to enter an industry? (1)

5. Define cost. (1)

6. State **three** changes leading to the shift of demand curve of a consumer to the right. (3)

7. What will be the price elasticity of supply if the supply curve is a positively sloped straight line? (3)

8. Explain why a production possibility curve is concave. (3)

OR

Explain the central problem 'for whom to produce'.

9. With the help of the table given below, find producer's equilibrium. Give reason for your answer. (3)

Output (Units)	TR (Rs.)	AC (Rs.)
1	20	20
2	40	15
3	60	12
4	80	10
5	100	12
6	120	15

10. Define marginal revenue. State the relation between marginal revenue and average revenue when a firm : (3)

   (i) is able to sell more quantity of output at the same price.

   (ii) is able to sell more quantity of output only by lowering the price. (3)

11. From the following table calculate price elasticity of demand by the percentage method. (4)

Price of x (Rs.) (Per unit)	Total Expenditure (Rs.)
4	600
5	525

12. State **any two** features each of monopoly and monopolistic competition. (4)

OR

State four features of a perfectly competitive market.

13. Explain the effects of a fall in prices of other goods on a commodity's equilibrium (4) price and equilibrium quantity. Use diagram.

For blind candidates in lieu of Q. No. 13

Explain the effects of 'increase' in supply of a good on its equilibrium price and equilibrium quantity with the help of a schedule.

14. Why does the different between ATC and AVC decrease with an increase in the (6) level of output? Can these two be equal at same level of output? Explain.

15. What is consumer's equilibrium? Explain the conditions of consumer's equilibrium assuming that the consumer consumes only two goods.

OR

What is the impact of the following on the demand curve for good X? Give reasons. (6)
a. Consumer income rises and good X is a normal good
b. Consumer income falls and good X is an inferior good
c. Price of complementary good Y rises

16. Explain the reasons for : (i) increasing returns to a factor and (ii) increasing returns to scale. (6)

Section B

17. Give meaning of involuntary unemployment. (1)

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

19. State **any two** sources of non-tax revenue receipts. (1)

20. Why is entertainment tax an indirect tax? (1)

21. What is meant by Cash Reserve Ratio? (1)

22. From the following data relating to a firm, calculate its net value added at factor cost :

		(Rs. in Lacs)
(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 used in factory	200
(ix)	Import of Raw Material	60	(3)

23. Can there be a fiscal deficit in a government budget without a revenue deficit? Explain.

OR

Distinguish between direct tax and indirect tax. Give an example of each. (3)

24. Categorise the following government receipts into revenue and capital receipts. Give reasons for your answer.

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

   (b) Borrowings from public.

   (c) Profits of public sector undertaking   (3)

25. Explain two causes for a fall in the supply of a foreign currency when its price in terms of domestic currency falls.   (3)

26. Name **any three** types of deposit accounts of commercial banks and also state one of their distinguishing features.   (3)

27. Distinguish between current account and capital account of balance of payment   (3)
   account. Is import of machinery recorded in current account or capital account?

28. State the role of central bank as a banker to the government.

                                          OR

   Describe the following functions of money :-

   (a) Medium of exchange

   (b) Standard of deferred payment   (4)

29. Explain the meaning of equilibrium level of income and output with the help of   (4)
   saving and investment curves.

   For blind candidates in lieu of Q. No. 29

   Explain the meaning of equilibrium level of employment by saving and investment approach.

30. Why are exports included in the estimation of domestic product by the expenditure   (6)
   method? Can gross domestic product be greater than gross national product ?
   Explain

31. An increase of Rs. 250 crores in investment in an economy results in income   (6)
   increasing by three times more than the increase in investment. Calculate the
   following :

   (a) Marginal propensity to consume

   (b) Change in Savings

   (c) Change in consumption expenditure

   (d) Value of multiplier

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32. From the following data calculate National Income by Income and Expenditure methods : (3, 3)

		(Rs crores)
(i)	Government final consumption expenditure	100
(ii)	Subsidies	10
(iii)	Rent	200
(iv)	Wages and salaries	655
(v)	Indirect tax	60
(vi)	Private final consumption expenditure	800
(vii)	Gross domestic capital formation	120
(viii)	Social security contributions by employees	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

OR

Calculate Gross National Disposable Income and Personal Income from the following data : (3, 3)

		(Rs. Crores)
(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)	Share of government in national income	80

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Marking Scheme

1. Scarcity of resources   (1)

2. Production function is a technological relationship between physical inputs and
    physical output   (1)

3. Equilibrium price will fall.   (1)

4. Earning of above- normal profit by the existing firms.   (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.

    1. Rise in the price of the substitute good.

    2. Fall in the price of complementary good.

    3. Rise in income (in case of a normal good)

    4. Fall in income (in case of an inferior good)

    5. Increase in taste for the good.

                                                                                        (Any three) (1x3)

7. Es = 1 if the curve starts from the origin

    Es> 1 if the curve starts from the y-axis

    E<1 if the curve starts from the x-axix

8. Downward sloping concave PP curve 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 all resources are not equally efficient in production of all goods. As more of
    one good is produced, less and less efficient resources have to be transferred to the
    production of the other good which raises marginal cost i.e. MRT.   (3)

                                        OR

    The problem means that who will buy the goods produced ? Clearly those who
    have income will buy. people earn income in the form of wages, rent, interest and
    profit. This reduces the problem to the problem of distribution of income among
    people.   (3)

9.

Output (Units)	TR (Rs)	AC (Rs)	TC (Rs)	(TR-TC) (Rs) Profit
1	20	20	20	0
2	40	15	30	10
3	60	12	36	24
4	80	10	40	40
5	100	12	60	40
6	120	15	90	30

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The producer is in equilibrium when 5 units of output are produced. At this level of   (1)
output profits are maximum and from this level any increase in output reduces profits.

10. Marginal revenue is the addition to total revenue from producing one more unit of
   output   (1)

   (i) MR = AR at all the output levels   (1)

   (ii) MR will be less than AR at all the output levels   (1)

11.

Price (Rs)	Total Exp. (Rs)	Quantity demanded (Units)	(1)
4	600	150	
5	525	105	

$$e_{dd} = \frac{\Delta Q}{Q} \times \frac{P}{\Delta Q}$$ (1)

$$= \frac{45}{150} \times \frac{4}{1}$$ (1½)

$$= 1.2$$ (½)

12. Monopoly :

(1) Only one producer

(2) No freedom of entry to new firms, etc.

Monopolistic Competition   (1x2)

(1) Large number of sellers and buyers

(2) Firms produce diiferentiated products.

(3) Freedom of entry and exit to firms

(4) Perfect knowledge about market   (any two) 1x2

OR

Perfect competition : (1) Large number of sellers and buyers

(2) Firms produce homegeneous product

(3) Freedom of entry and exit to firm

(4) Perfect knowledge about market and technology.   (1x4)

13. A fall in prices of other goods results in an increase in supply of the given good.
   Increase in supply means more quantity supplied at the given price. Supply curve
   shifts to the right from S_1 to S_2. This creates excess supply (=E, A) at price OP.
   Since the firms are not able to sell what they produce, Competition among firms leading
   to fall in price takes place. Fall in price leads to rise in demand and fall in supply. These
   changes continue till price falls to OP_2. OP_2 is the new equilibrium
   price and OQ_2 equilibrium quantity.   (3)

(1)
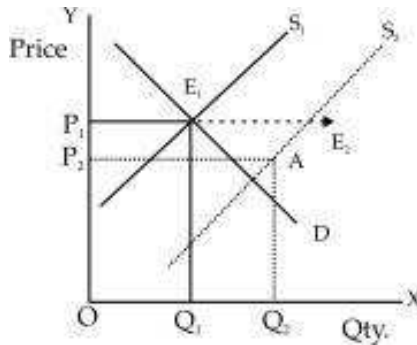
For Blind Candidates in lieu of Question No. 13

Schedule (2)

Explanation (2)

14. ATC is the sum of AVC and AFC. As the level of output increases AFC falls, so the (3) difference between ATC and AVC decreases.

The two cannot be equal because AFC can never be zero. AFC = $\dfrac{\text{TFC}}{\text{Output}}$. (3)

Since TFC is positive, AFC can never be zero.

15. Consumer's equilibrium means allocation of income by a consumer on goods and services in a manner that gives him maximum satisfaction. (2)

The two conditions of consumer's equilibrium are :

(i) Ratio of marginal utility to price in case of each good is the same i.e.

$$\dfrac{\text{MUx}}{\text{Px}} = \dfrac{\text{MUy}}{\text{Py}}$$ (2)

(ii) MU of a good decreases as more of it is consumed. (2)

OR

15. (i) When consumer income rises and good X is a normal good, its demand increases as a rise in income increases a consumer's ability to buy more of Good X. However, since price of good X has not changed, more is demanded at the same price - so there is a rightward shift of the demand curve of good X. (2)

(ii) When consumer income falls and good X is an inferior good, its demand increases as with a fall in income, a consumer's ability to buy the normal good falls and he substitutes the normal good for the inferior good. Since, the price of good X has not changed, more is demanded at the same price - so there is aright ward shift of the demand curve of good X. (2)

(iii) When the price of the complementary good rises, the demand for good X falls as both goods are required together to satisfy a want. Since, there is no change in the price of good X, less is demanded at the same price-so there is it a leftward shift of the demand curve of good X. (2)

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16.   (i)   It means that TPP increases at an increasing rate and consequently MPP rises. It is due to (a) more efficient utilization of fixed input and (b) division of labour and specialisation due to increase in the quantity of variable input.   (3)

      (ii)   It means output increasing in greater proportion than the increase in all input simultaneously and in the same proportion. It is due to (a) more division of labour leading to specialisation that increases productivity and(b) use of specialized machines.   (3)

Section B

Q.No.   Marks

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 1.   (1)

19.   Income from investment made by the government, fees and fines received by the government.   (½x2)

20.   It is an indirect tax because its burden can be shifted.   (1)

21.   It is the ratio of bank deposits that the commercial banks must keep with the central bank.   (1)

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

          = 800+20-50-500-30+40   (1½)

          = Rs. 280 lakhs   (½)

23.   Yes it is possible in the following situations

      (i)   When revenue budget is balanced and capital budget shows a deficit.

      (ii)   When there is a surplus in the revenue budget but the deficit in capital budget is greater than this surplus   (1½)

                                   OR

      Direct tax is a tax in which incidence & impact is on the same person. Its burden cannot be shifted. Indirect tax is a tax where burden can be shifted.   (2)

      Example : Direct Tax : Income Tax etc   (½)
                 Indirect Tax : Excise duty etc   (½)

24.   (a)   It is a capital receipt as it results in reduction of asset.

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

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

25.   When price of foreign currency falls in terms of domestic currency, exports become costlier. So exports fall. Hence the supply of foreign currency falls.   (1½)

      It makes tourism from abroad costlier. It discourages tourism. So supply of foreign currency falls.   (1½)

26.   (i)   Current account deposits

        The bank does not pay any interest on deposit in this account.   (½)

    (ii)   Saving account deposits   (½)

        Interest is paid on deposits is this account.   (½)

    (iii) Fixed/ term deposits   (½)

    Interest paid on such deposits is higher than the interest paid on deposits under saving account   (½)

27.   In current account, transactions relating to export and import of goods and services (3) and transfer payment are recorded. In capital account transaction relating to international purchases and sales of assets are recorded.
    Import of machinery is included under import of goods and so it is recorded under (1) current account.

28.   The central bank acts as a banker to the government. The government keeps its cash balance with the central bank. The central bank accepts receipts and makes payments for the government. It also provides short term credit facility to the government.
It also manages the public debt. It also advises the government on banking and financial matters.   (4)

OR

(a)   Money is acceptable as means of exchange. A person can sell his goods or services in exchange for money and can use this money for buying the goods and services that he needs. Thus money acts as a medium of exchange,   (2)

(b)   Deferred payments mean payments to be made in future. Money serves as a standard for deferred payments. Money can perform this function only if its value remains more or less stable.   (2)

29.   The equilibrium level of income and output is that level at which planned saving and planned investment are equal.   (1)

   (2)
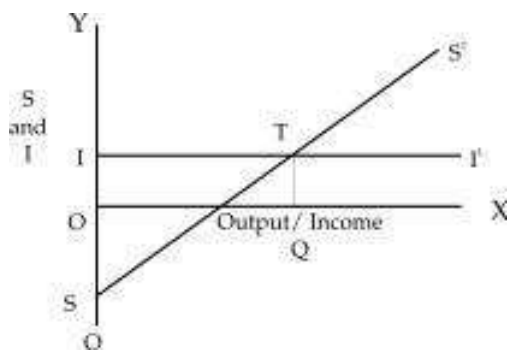
ss' is the saving curve that shows planned saving at different levels of income. I I' shows fixed level of investment as it is assumed that investment is given and is constant, OQ is the equilibrium level of income and output as at this level, planned saving and investment are equal   (1)

For Blind Candidates in lieu of Question No. 29.
Same as above except diagram

30. Expenditure method estimates expenditure on domestic product, i.e expenditure on final goods and services produced within the economic territory of the country. It includes expenditure by residents and non- residents both. Exports, though purchased by non- residents, are produced within the economic territory, and therefore, a part of domestic product. (4)

Domestic product can be greater than national product if factor income paid to the rest of the world is greater than the factor income received from the rest of the world i.e. when net-factor income received from abroad is negative. (2)

31. (a) $\dfrac{\Delta Y}{\Delta I} = K = \dfrac{1}{MPS}$

$\dfrac{1000}{250} = \dfrac{1}{MPS}$

MPS = 0.25

$\therefore MPC = 0.75$

So MPC = 0.75 (1½)

(b) $\Delta S = \Delta Y \times MPS$

$= 1000 \times 0.25$

$= $ Rs. 250 Crores (1½)

(c) $\Delta C = \Delta Y \times MPC$

$= 1000 \times 0.75$

$= $ Rs. 750 Crores (1½)

(d) $K = \dfrac{\Delta Y}{\Delta I} = \dfrac{1000}{250} = 4$ (1½)

32. **Income method**
National Income = iv + (iii + ix) + xi+xiii - x (1)

= 600+(200+25)+20+130-30 (1½)

=Rs. 1000 crores (½)

Expenditure Method
National Income = vi+i+vii+xiv-v+ii-xii-x (1)
= 800+100+120+70-60+10–10–30 (1½)
= Rs. 1000 Crores (½)

OR

GNDI = iv+ii+vi-ix (1)
= 1000 +100 + 50 -(-20) (1½)
= Rs. 1170 Crores (½)
Personal Income = (iv-xi) + (vii-ix+x)-viii-iii (1)
=   1000-80+70-(-20)+30- 40- 90 (1½)
=   Rs. 910 Crores. (½)

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Subject : Economics   Class XII   Max. Marks 100   Time : 3 hrs.

QUESTION-WISE ANALYSIS

S. No of question	Unit/Ch. Number	Marks allotted	Estimated time (Minutes)	Estimated Difficulty level
1	1	1	1½	A
2	3	1	1½	A
3	4	1	1½	C
4	4	1	1½	A
5	3	1	1½	A
6	2	3	5	A
7	3	3	5	B
8	1	3	5	C
9	3	3	5	C
10	3	3	5	A
11	2	4	6	B
12	4	4	6	A
13	4	4	6	B
14	3	6	10	B
15	2	6	10	B
16	3	6	10	B
17	7	1	1½	A
18	7	1	1½	A

S. No of question	Unit/Ch. Number	Marks allotted	Estimated time (Minutes)	Estimated Difficulty level
19	9	1	1½	A
20	9	1	1½	A
21	8	1	1½	A
22	6	3	5	C
23	9	3	5	B
24	9	3	5	C
25	10	3	5	B
26	8	3	5	A
27	10	4	6	A
28	8	4	6	A
29	7	4	6	B
30	6	6	10	B
31	7	6	10	C
32	6	6	10	B
Reference for abbreviations Difficulty Level				
A	Easy	30%		
B	Average	50%		
C	Difficult	20%		