Sample Question Paper 3

Subject: Economics

Time: 3 Hours CLASS: XII Max. Marks: 100

General Instructions

All questions in both the sections are compulsory.

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

Section A

1 What does rightward shift of production possibility curve indicate? 1

2 Give the meaning of Marginal utility. 1

3 Explain Inferior Goods. 1

4 What change will take place in marginal product, when total product increases at diminishing rate? 1

5 Under which market form the firms are interdependent? 1

6 Explain the central problem of 'How to produce' with the help of an example. 3

7 State any three causes of rightward shift of demand curve. 3

OR

State any three factors determining elasticity of demand, and explain any one of them.

8 When price of a commodity rises from Rs. 4 per unit to Rs.5 per unit, total revenue increases from Rs.600 to Rs. 900. Calculate its price elasticity of supply. 3

9 Explain the relationship between Average cost and Marginal cost with the help of a schedule. 3

10 Explain the implication of differentiated product in monopolistic competition. 3

11 Explain the effect of a rise in the price of related goods on the demand for a good X. 4

12 Differentiate change in demand and change in quantity demand with the help of diagrams. 4

OR

Explain how elasticity of demand is measured with the help of straight line demand curve.

13 Given below is the cost schedule of a firm. Its average fixed cost is Rs. 30 when it produces 3 units. Calculate marginal cost and average cost at each given level of output. 4

Output (units)	1	2	3
Average variable cost (Rs)	30	28	32

14 Explain consumer's equilibrium with the help of Indifference curve approach. 6

15 There is a simultaneous decrease in demand and supply of a commodity. When will it result in: 6

(a) No change in equilibrium price.

(b) A fall in equilibrium price. Use diagrams.

16 Explain the law of variable proportions with the help of a diagram 6

OR

Explain producer's equilibrium with the help of MR and MC Approach.

Section B

17 Give meaning of aggregate supply. 1

18 What can be the minimum value of multiplier? 1

19 What is excess demand? 1

20 Define bank rate. 1

21 A government budget shows a primary deficit of Rs.4400 crore. The revenue expenditure on interest payment is Rs.500 crore. How much is the fiscal deficit?

22. State any three items of current account of BOP Account? 3

23 From the following data calculate its net value added at factor cost : 3

		(Rs. In Lacs)
(i)	Subsidy	40
(ii)	Sales	700
(iii)	Exports	20
(iv)	Closing stock	100
(v)	Opening stock	120
(vi)	Intermediate purchases	150
(vii)	Depreciation	30
(viii)	Import of raw material	25

24 Explain any two functions of money. 3

25 Explain the function of a central bank as a banker to the government. 3

26 How can a government budget help in reducing inequalities of income? Explain. 3

OR

What do you mean by Fiscal deficit? Give any two implications of fiscal deficit. 3

27 What is the difference between revenue expenditure and capital expenditure in a government budget? Give two examples each. 4

28 Explain four sources each of demand for foreign exchange and supply of foreign exchange. 4

29 From the following information about an economy, calculate

(i) Its equilibrium level of national income and

(ii) Consumption expenditure at equilibrium.

Consumption function = C = 200 + 0.9 Y and

Investment expenditure = Rs.3000crore. 4

OR

In an economy S = (-) 50 + 0.5 Y is the saving function and Investment expenditure is 7000. Calculate i)its equilibrium level of national income and ii) Consumption expenditure at equilibrium.

30 Will the following be a part of Domestic Factor Income of India? Give reasons.

(i) Old age pension given by the Government.

(ii) Factor income from abroad.

(iii) Salaries to Indian residents working in Russian Embassy in India.

(iv) Profits earned by a company in India which is owned by a non-resident.

31 How equilibrium level of income and output is determined with the help of C + I Approach. Use diagram

OR

Explain consumption with the help of schedule and diagram.

32 Calculate Net National Product at Market Price and Private Income from the following data: 3, 3

(i)	Net factor income from abroad	(-) 5
(ii)	Private final consumption expenditure	100
(i)	Personal tax	20
(ii)	Gross national disposable income	170
(iii)	Government final consumption expenditure	20
(iv)	Net national disposable income	145
(v)	Corporation tax	15
(vi)	Gross domestic capital formation	30
(vii)	Personal disposable income	70
(viii)	Net exports	(-) 10
(ix)	Saving of private corporate sector	5

Marking scheme

Q.NO	VALUE POINTS	MARKS
1	Growth of resources	1
2	Addition to the total utility from the consumption of an additional unit of a commodity.	1
3	Inferior goods are those goods whose demand decreases as income of the household's increases.	1
4	Marginal product decreases.	1
5	Oligoply	1
6	How to produce means selection of technology to produce goods and services. That is Capital intensive technology or labour intensive technology. Example (i) For the cultivation of land if labour is cheap we have to follow labour intensive technology.	1 1 1
7	(i) Increase in the price of substitute goods (ii) Decrease in the price of complimentary goods. (iii) Increase in the income of the households on normal goods and (iv) Decrease in the income of the households on inferior goods. OR (i) Availability of substitute goods (ii) Price of the commodities (a) High price more elastic (b) Low price in elastic (iii) Habits of the consumer (any other relevant answers)	1 1 1
8	Price TR QS 4 600 150 5 900 180 Es= ΔQS/QS/ΔP/P = 30/150 x 4/1=4/5=.8	1 1 1
9	Output TC AC MC 1 20 20 20 2 38 19 18 3 54 18 16 4 72 18 18 5 100 20 28 6 150 25 50 with explanation	3
10	Differentiated products leads the sellers in the monopolistic competition as price makers. It persuade the consumer to buy the product.	3
11	Related goods; Rise in price of substitute goods causes rise in demand for other goods. Rise in price of complimentary goods causes fall in demand for other goods.	3

12 Change in quantity demand is due to the change in price when other factors are constant and change in demand is due to the other factors when the price is constant. 4

Change in quantity demand causes movement along the demand curve and change in demand causes shift in demand curve.

OR

Elasticity of demand on a straight line demand curve is determined on the basis of the formula

ed = Lower segment of the demand curve/Upper segment of the demand curve.

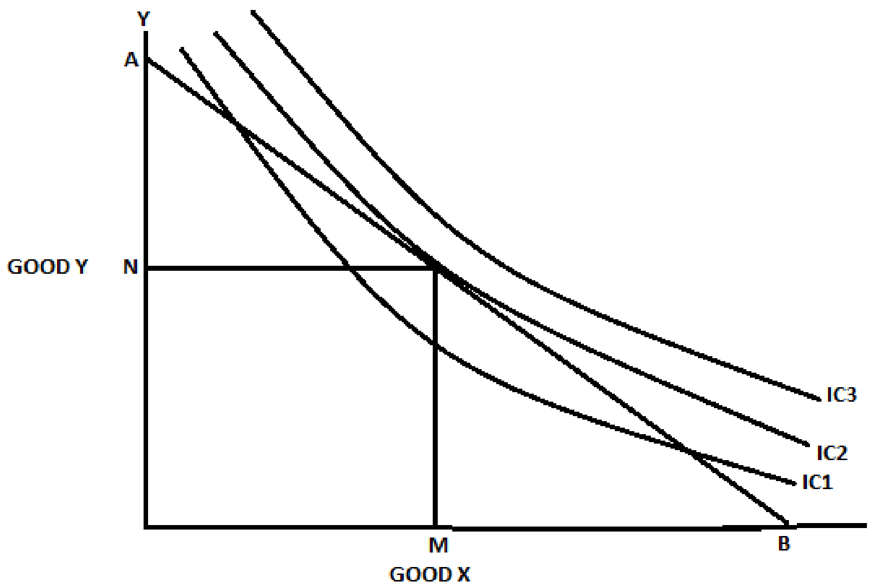
13

Output	1	2	3	
AVC	30	28	32	
AFC	90	45	30	
TVC	30	56	96	4
TFC	90	90	90	
TC	120	146	186	
MC	30	26	40	
AC	120	73	62	

14 Consumers equilibrium: means the consumer get maximum satisfaction with the help of available income and price of goods

Conditions :budget line should be tangent to the indifference curve 4

slope of indifference curve = slope of budget line



15 Diagram : Ratio of change in demand and supply are equal

Ratio of change supply is more than change in demand

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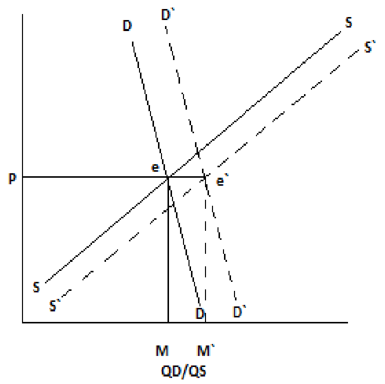
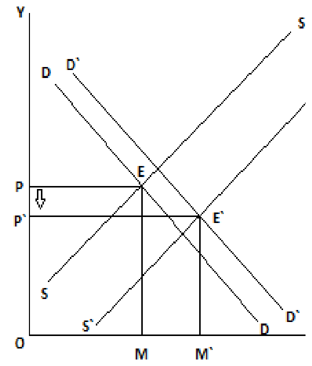
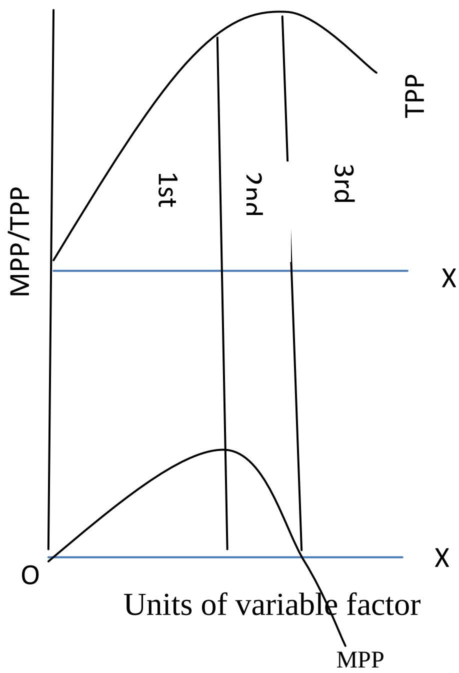




16 Law of variable proportions meaning:

If more and more units of a variable factor are employed with fixed factors TPP increases at an increasing rate in the beginning then increases at a diminishing rate and finally starts falling.In the first phase MPP increases then falls but remains positive then becomes zero and negative. 2 2 2



Phase I : TPP increases at an increasing rate up to OQ1 level of out put

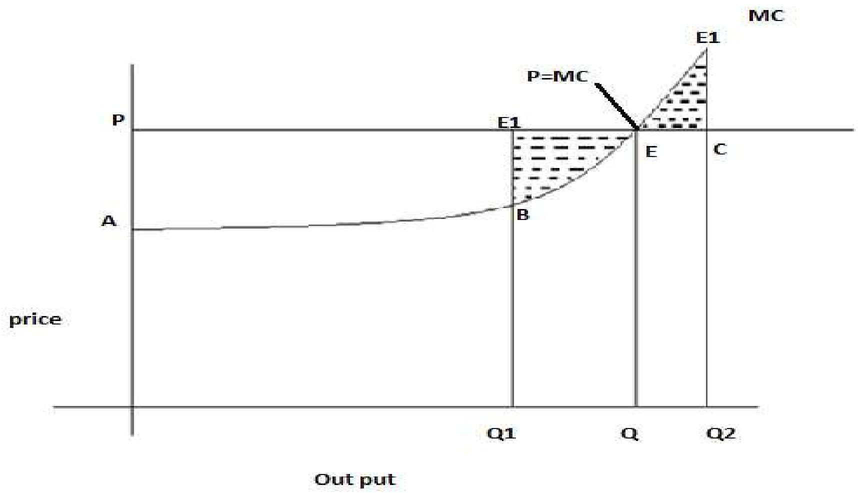
Phase II: TPP increases at a diminishing rate till it reaches its maximum point (N). MPP is falling but remains positive

When TPP is maximum MPP is zero.

Phase III : TPP starts declining MPP become negative

OR

Producer equilibrium means is the situation of that level of output which gives the producer maximum profit and he has no incentive to increase or decrease the level of output.



Condition:

i) MC=MR
ii) After Equilibrium output MC>MR
iii) MC should be rising.
iv) MC should cut Mr from below.

17 The total supply of goods and services in the economy. 1

18 Minimum value of multiplier is 1 1

19 When aggregate demand is more than aggregate supply at full employment. 1

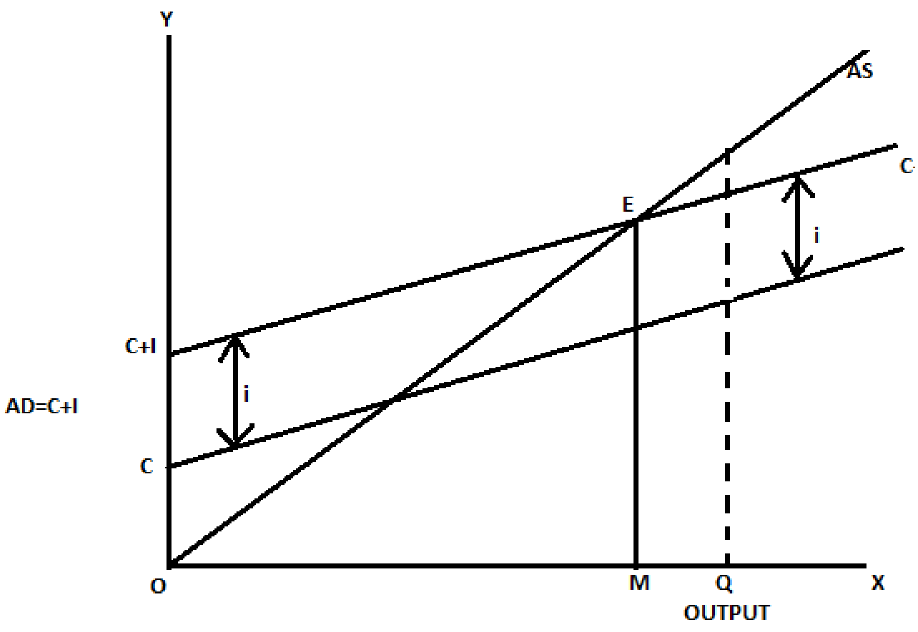
20	Bank rate is the rate at which the central bank lends to the commercial banks.	1
21	Fiscal deficit = primary deficit + interest payments 4400 + 500 = Rs.4900.	1
22	Export and import of goods Export and import of services Unilateral services	1
23	ii + (iv – v) – vi – vii –(0 – i) 700 + (-) 20 – 150 -30 – (0- 40) 740 – 200 = Rs 540 Lakhs	1 1 1
24	(i) Money as a unit of value (ii) Money as a medium of exchange (iii) Money as a store of value (iv) Money as a future payments.(any two explanation) 1 ½ x 2 = 3	3
25	Central bank acts as a financial advisor to the government. Keeps deposits makes payment	3
26	Government budget through taxation and expenditure removes inequalities of income. OR Fiscal deficit is the excess of total expenditure of government over sum of its revenue receipts and capital receipts during the fiscal year. Implications 1. Borrowing create problem of not only payment of interest but also repayment of loans 2. High fiscal deficit leads to inflationary condition in the economy.	3
27	Revenue expenditure do not make liabilities and do not cause reduction to the assets example tax and non-tax revenue Capital revenue cause reduction of assets and creates liabilities.eg recovery of loans, sale of public sector units, Borrowings.	4
28	Sources of demand for foreign exchange 2 marks Sources of supply of foreign exchange 2 marks	4
29	Y = C + I Y = 200 + 0.9Y = 3000 Y – 0.9Y = 200 + 3000 0.1 Y = 3200 Y = 3200/0.1 = 32000	1 1

Consumption C = 200 + 0.9Y 1
= 200 + 0.9 (32000) = 28800 + 200 = Rs.29000 1
OR

Equilibrium =Y = S = I 1
7000 = (-) 50 + 0.5Y
0.5Y = 7000 + 50 = 7050 1
Y = 7050/ 0.5 = 14100
Y = C + I 1
14100 = C + 7000 1
C 14100 – 7000 = 7100.

30 (i) No, because it is a transfer payment
(ii) No, because it is earned from abroad.
(iii)No, It is not in the eco territory of India. 6
(iv)Yes, It is the normal resident of India 4 x 1 ½ = 6

31 Equilibrium output and Income is determined where planned spending is equal to the output.



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2
2

Disequilibrium condition :

1) When planned spending > planned out put there will be more demand for goods and services so the firms will increase the output to the equilibrium level of out put
2) When planned spending <planned out put there will be unsold inventories with the firm so the firm will reduce the level of output to the equilibrium out put .

OR

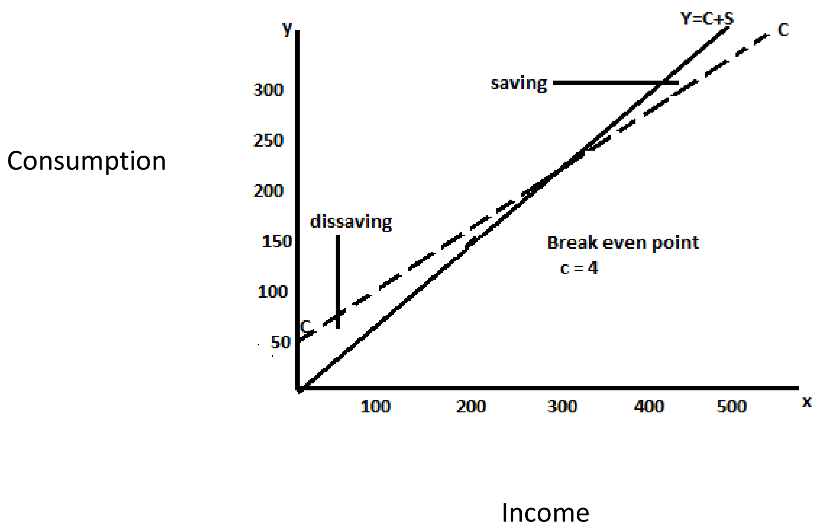
The functional relationship between consumption and income is called consumption function or propensity to consume . 2

$C=\bar{c}+by$ 2

Consumption function schedule and diagram.

2

N.I	C	REMARK
0	60	
100	140	C<Y
200	220	
300	300	C=Y
400	380	C<Y
500	460	



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