

KENDRIYA VIDYALAYA NO 1 TAMBARAM
PRACTICE PAPER XII-ECONOMICS

Time 3 hrs

Maximum marks: 80

General Instructions:

- a) All questions are compulsory.
 - b) Attempt all questions in both the sections
- 1) Suppose 10,000 labourers migrate from India's PPC would move:
 - a) To the right b) to the left c) does not change d) none of the above
 - 2) When MU is negative total utility:
 - a) False b) rises c) reaches maximum d) none of the above
 - 3) Define market supply.
 - 4) Name the economy value achievable when attempts are made to increase resources in the country.
 - 5) Both the goods are complementary goods. Explain the effect of change in price of A on demand for B.
 - 7) Explain any two causes for right shift of supply curve.
 - 8) Find price elasticity of supply from the following data.

Price	8	10
TR	1000	1500
 - 9) Explain any two causes for decrease in demand.
 - 10) Define oligopoly. State the features of oligopoly.
 - 11) Price elasticity is 2. The percentage change in price is equal to 5. Find out percentage change in quantity demanded.
 - 12) Explain the implications of perfect market on the following features
 - (i) Free entry and exit
 - (ii) Number of sellers.
 - (iii) Price of the commodity

Section B

- 13) What is repo rate? (1)
- 14) Which of the following is a characteristic of a good? (1)
 - a) Intangible
 - b) Can be stored
 - c) Production and consumption must happen simultaneously

d) Cannot be transferred

15) Which of the following statement is not true for fiscal deficit? (1)

A fiscal deficit:

- a) represents the borrowing of the government.
- b) is the difference between total expenditure and total receipts of the government
- c) is the difference between total expenditure and total receipts other than borrowing
- d) increases the future liability of the government

16) In an economy the autonomous investment is 100 and the consumption is $C=80+0.4Y$. Is the economy in equilibrium at an income level 400? Justify your answer. (3)

17) In an economy the autonomous investment is 60 and the marginal propensity to consume is 0.8. If the equilibrium level of income is 400, then the autonomous consumption is 30. True or False? Justify your answer.

18) In an economy planned saving is greater than planned investment. Explain how the economy achieves equilibrium level of national income. (3)

19) What is meant by "balance of payment" account? Distinguish between the "balance on current account" and "balance of trade" account. In which account would remittances from family members from abroad be accounted? (4)

20) State the various components of the Income Method that are used to calculate national income. (4)

21) State any four precautions that need to be kept in mind when using the value added method for calculating national income.

22) Draw a straight line consumption curve. From it derive the saving curve. Explain the process of derivation on the diagram, show: (6)

- a) The income level at which $APC=1$
- b) The income level at which APS is negative

23)a) What is meant by Cash reserve ratio? How does it increase the money supply in the economy? (3+3)

b) What is meant by Open market operation? How does it reduce the money supply in the economy?

24) Find (a) National Income (6)

	Rs Crore
i. Net current transfer from abroad	5
ii. Private final consumption expenditure	200
iii. Subsidies	20

iv. Net domestic fixed capital formation	40
v. Net factor income to abroad	10
vi. Government final consumption expenditure	50
vii. Change in stock	(-10)
viii. Net imports	(-20)
ix. Consumption of fixed capital	30
x. Indirect tax	60
xi. Exports	100

Sample Question Paper (Set 2)
Subject: ECONOMICS (030)
Class XII (2016-17)

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. When is a consumer said to be rational? (1)
2. Define normative economics, with a suitable example. (1)
3. State the meaning of `quantity demanded of a commodity`. (1)
4. If a firm's production department data says that the total variable cost for producing 8 units and 10 units of output is ₹ 2,500 and ₹3,000 respectively, marginal cost of 10th unit will be
a. ₹100 b. ₹ 150 c. ₹ 500 d. ₹ 250 (1)
5. State any one assumption for the construction of the curve that shows the possibilities of potential production of two goods in an economy. (1)
6. State the behavior of Marginal Physical Product, under Returns to a Factor. (3)
7. Using appropriate schedules, briefly describe the determination of market equilibrium. (3)

8. *“In a hypothetical market of mobile phones, the brand AWAAZ was leading the market share. Its nearest competitor VAARTA suddenly changed its strategy by bringing in a new model of the mobile phone at a relatively lesser price. In response, AWAAZ too slashed its price.”*

Based on the above information, identify the form of market represented and discuss any one feature of the market.

Or

Discuss the primary reason for ‘indeterminateness of demand curve’ under the oligopoly form of market. (3)

9. a. Arrange the following coefficients of price elasticity of demand in ascending order:

-0.7, -0.3, -1.1, -0.8

b. Comment upon the degree of elasticity of demand for Good X, using the total outlay method, if the price of X falls from ₹ 18 per unit to ₹ 13 per unit and its quantity demanded rises from 50 units to 100 units. (1+3)

10. Identify which of the following is not true for the Indifference Curves. Give valid reasons for choice of your answer:

- Lower indifference curve represents lower level of satisfaction.
- Two regular convex to origin indifference curves can intersect each other.
- Indifference curve must be convex to origin at the point of tangency with the budget line at the consumer’s equilibrium.
- Indifference curves are drawn under the ordinal approach to consumer equilibrium.

OR

A consumer has total money income of ₹ 250 to be spent on two goods X and Y with prices of ₹25 and ₹ 10 per unit respectively. On the basis of the information given, answer the following questions:

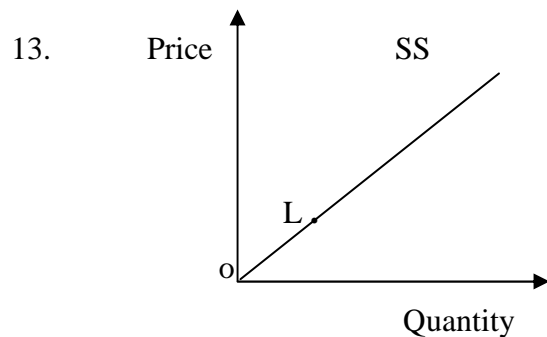
- Give the equation of the budget line for the consumer.
- What is the value of slope of the budget line?
- How many units can the consumer buy if he is to spend all his money income on good X?
- How does the budget line change if there is a fall in price of good Y? (4)

11. Explain the concept of marginal opportunity cost using a numerical example. (4)

12. Define Price Floor. What is the common purpose of fixation of floor price by the government? Explain any one likely consequence of this nature of intervention by the government.

OR

Define Price Ceiling. What is the common purpose for the price ceiling imposed by the government? Explain any one likely consequence of this nature of intervention by the government in the price determination process. (2+2+2)



- Apply the geometric method to determine the elasticity of supply at point L on the supply curve SS given above. (3)
- Justify the statement, 'In economics, normal profits are always a part of total cost'. (3)

14. A consumer, Mr. Aman is in state of equilibrium consuming two goods X and Y, with given prices P_x and P_y . Explain what will happen if :

- MU_x / P_x is greater than MU_y / P_y .
- P_y falls (6)

15. State, with valid reasons, which of the following statement are true or false:

- Average Revenue curve under the Perfect Competition is a downward sloping curve.
- AFC curve is a rectangular hyperbola curve.
- When MR is falling but positive, TR will also be falling and positive. (6)

Section B: Macroeconomics

16. Supply of money refers to quantity of money

- As on 31st March
- During any specified period of time
- As on any point of time
- During a fiscal year (1)

17. Define nominal flow. (1)
18. Primary deficit is equal to: (1)
- i) Fiscal Deficit less Interest Payments
 - ii) Revenue Deficit less borrowings
 - iii) Borrowings less interest payments
 - iv) Borrowings less Fiscal Deficit.
19. Which of the following is not a Quantitative Method of credit control? (1)
- i) Open Market Operation
 - ii) Margin Requirements
 - iii) Variable Reserve Ratio
 - iv) Bank Rate Policy
20. What are 'subsidies'? (1)
21. Explain how 'Depreciation of currency' promotes exports of a country? (3)
22. If in an economy:
- a) Consumption function is given by $C = 100 + 0.75 Y$, and
 - b) Autonomous investment is ₹150 crores.
- Estimate (i) Equilibrium level of income and (ii) Consumption and Savings at the equilibrium level of income.

OR

- Explain how the economy achieves equilibrium level of income using Consumption + Investment (C+I) approach. (3)
23. State under what conditions in the following statements may be true:
- a. GNDI is equal to GNP at market prices.
 - b. Domestic Income is greater than National Income
 - c. Value of output is equal to Value Added (3)
24. '*GDP as an index of welfare may understate or overstate welfare.*'
- Explain the statement using examples of a positive and a negative externality (4)
25. Define Balance of Payments. Discuss briefly the components of current account. (4)

26. Explain the concepts of Real GDP and Nominal GDP, using a suitable numerical example.

OR

State the various precautions of Product Method that should be kept in mind while estimating national income. (4)

27. a) "Fiscal deficit is necessarily inflationary in nature". Do you agree? Support your answer with valid reasons.
b) Elaborate 'Economic Growth' as an objective of government budget. (3+3)
28. What is the range of values of investment multiplier? Clarify the relation of investment multiplier with marginal propensity to consume (MPC) and with marginal propensity to save (MPS). (6)
29. Discuss how the central bank plays the role of 'controller of credit' in an economy?

OR

Using a numerical example elaborate the credit creation process as handled by the commercial banks. (6)

30. Compute (a) National Income and (b) Personal Disposable Income. (6)

S.No.	Items	Amount (in ₹ Crores)
i)	Mixed Income of Self Employed	2,500
ii)	Net Factor Income from Abroad	(-) 50
iii)	Rent	500
iv)	Private Income	4,000
v)	Consumption of Fixed Capital	400
vi)	Corporation Tax	700
vii)	Profits	300
viii)	Net Retained Earnings of Private Enterprises	500
ix)	Compensation of Employees	1,600
x)	Net Indirect Taxes	500
xi)	Net Current Transfers from Abroad	150
xii)	Net Exports	(-) 40
xiii)	Interest	500
xiv)	Direct Taxes Paid by Households	300