Question Paper
Economics
Class – XII

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. *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 price. (1)

5. What is meant by cost in economics? (1)

6. State any three factors that cause an 'increase' in demand of a commodity. (3)

7. What will be the price elasticity of supply at a point on a positively sloped, straight line supply curve? (3)

8. Explain the shape of a production possibility frontier. (3)

OR

Explain the Central problem "how to produce."

9. How does the nature of a commodity influence its price elasticity of demand? (3)

10. Explain the changes that will take place in the market for a commodity if the prevailing market price is less than the equilibrium price. (3)

11. 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. (4)

12. Explain the relation between marginal revenue and average revenue when a firm is able to sell more quantity of output (4)

(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.

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. (4)

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

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

15. Explain the implications of the following features of perfect competition: (6)

    large number of buyers and sellers

    freedom of entry and exit of firms

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

OR

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.

For Blind Candidates in lieu of choice question of question No. 16

Explain how a consumer consuming two commodities X and Y attains equilibrium under the utility approach.

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 price of 1 US Dollar has fallen from Rs 50 to Rs 48. Has the Indian currency appreciated or depreciated? (1)

20. State the two components of money supply. (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: (3)

		(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 for own use	200
(ix)	Import of raw material	60

23. Give the meaning of Nominal GDP and Real GDP. Which of these is the indicator of economic welfare? (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 capital account of balance of payments account. 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 : (4)

Revenue deficit

Fiscal deficit

28. Categories the following government receipts into revenue and capital receipts. Give reasons for your answer. (4)

(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.

29. Explain the meaning of equilibrium level of income and output using savings and investment approach. Use a diagram. (4)

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	_______	_________

For Blind Candidates in lieu of Question 29

Explain the meaning of equilibrium level of income and output using savings and investment approach.

30. Explain the process of money creation by commercial banks. (6)

31. Draw a straight line consumption curve. From it derive a savings curve explaining the process. Show on this diagram: (6)

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.

For Blind Candidates in lieu of Question 31

Explain the meaning of underemployment equilibrium. State two policy measures that the government can take to make the economy reach full employment equilibrium.