

Sample Question Paper
Class XII (2017-18)
Economics (030)

MM. 80

Time: 3 Hours

Q.No.	SECTION A : MICROECONOMICS	Marks
1	Which of the following is a statement of normative nature in economics? a) Economics is study of choices/alternatives. b) Government should be concerned with how to reduce unemployment c) According to an estimate, in spite of severe shortage, more than 10% of houses in Indian cities are lying vacant. d) Accommodation of Refugees is posing a big problem for the Europe	1
2	Define Marginal Physical Product.	1
3	A firm is operating with a Total Variable Cost of ₹ 500 when 5 units of the given output are produced and the Total Fixed Costs are ₹ 200, what will be the Average Total Cost of producing 5 units of output? i) ₹ 140 ii) ₹ 100 iii) ₹ 120 iv) ₹ 300	1
4	In an imperfectly competitive market, if the Total Revenue is maximum, Marginal Revenue will be	1
5	State and discuss any two factors that will shift the Production Possibility Frontier (PPF) to the right. Or Draft a hypothetical schedule for a straight line Production Possibility Curve.	3
6	Giving reason, state the impact of each of following on demand curve of a normal good 'X' if i) Price of its complementary good falls. ii) News reports claims that consumption of product X has harmful effect on human health. iii) Income of consumer increases,	3
7	a. Arrange the following coefficients of price elasticity of demand in ascending order: -0.87, -0.53, -3.1, -0.80 b. Comment upon the degree of elasticity of demand for commodity X, if the price of the commodity falls from ₹ 28 per unit to ₹ 23 per unit and its quantity demanded rises from 50 units to 100 units.	1 3
8	What is meant by Price Floor? Discuss in brief, any one consequence of imposition of floor price above equilibrium price with help of a diagram. Or How is the price of a commodity determined in a perfectly competitive market? Explain with help of a diagram.	4
9	Explain how the following factors affect the supply of the commodity (any two) a) Price of factor inputs b) State of technology c) Government taxation Policy	4
10	a) A consumer, Mr Aman is in state of equilibrium consuming two goods X and Y, with given prices P_x and P_y . What will happen if $\frac{MU_x}{P_x} > \frac{MU_y}{P_y}$? b) Identify which of the following is not true for the Indifference Curves theory. Give valid reasons for choice of your answer:	2 4

	<p>a. Lower indifference curve represents lower level of satisfaction.</p> <p>b. Two indifference curves can intersect each other.</p> <p>c. Indifference curve must be convex to origin at the point of tangency with the budget line at the consumer's equilibrium.</p> <p>d. Indifference curves are drawn under the ordinal approach to consumer equilibrium.</p> <p style="text-align: center;">OR</p> <p>A consumer has total money income of ₹ 500 to be spent on two goods X and Y with prices of ₹50 and ₹ 10 per unit respectively. On the basis of the given information, answer the following questions:</p> <p>a. Give the equation of the budget line for the consumer.</p> <p>b. What is the value of slope of the budget line?</p> <p>c. How many units can the consumer buy if he is to spend all his money income on good X?</p> <p>d. How does the budget line change if there is a 50% fall in price of good Y?</p>	1 1 2 2
11	<p>a) Why is Total Variable Cost curve inverse S- shaped?</p> <p>b) What is Average Fixed Cost of a firm? Why is an Average Fixed Cost Curve a rectangular Hyperbola? Explain with help of a diagram.</p>	2 4
12	<p>Suppose the value of demand and supply curves of a Commodity-X is given by the following two equations simultaneously:</p> $Q_d = 200 - 10p \qquad Q_s = 50 + 15p$ <p>i) Find the equilibrium price and equilibrium quantity of commodity X.</p> <p>ii) Suppose that the price of a factor inputs used in producing the commodity has changed, resulting in the new supply curve given by the equation</p> $Q_s' = 100 + 15p$ <p>Analyse the new equilibrium price and new equilibrium quantity as against the original equilibrium price and equilibrium quantity.</p>	6
SECTION B : MACROECONOMICS		
13	Define money supply?	1
14	State one fiscal measure that can be used to reduce the gap between rich and poor.	1
15	Define the capital receipts of a government.	1

16	From the following data calculate Fiscal Deficit	1																																							
	<table border="1"> <thead> <tr> <th>S.No</th> <th>Item</th> <th>• in Billions</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Capital Receipt</td> <td>68</td> </tr> <tr> <td>2</td> <td>Revenue Expenditure</td> <td>160</td> </tr> <tr> <td>3</td> <td>Interest Payment</td> <td>20</td> </tr> <tr> <td>4</td> <td>Borrowings</td> <td>32</td> </tr> <tr> <td>5</td> <td>Tax Revenue</td> <td>50</td> </tr> <tr> <td>6</td> <td>Non- Tax revenue</td> <td>10</td> </tr> </tbody> </table>	S.No	Item	• in Billions	1	Capital Receipt	68	2	Revenue Expenditure	160	3	Interest Payment	20	4	Borrowings	32	5	Tax Revenue	50	6	Non- Tax revenue	10																			
S.No	Item	• in Billions																																							
1	Capital Receipt	68																																							
2	Revenue Expenditure	160																																							
3	Interest Payment	20																																							
4	Borrowings	32																																							
5	Tax Revenue	50																																							
6	Non- Tax revenue	10																																							
17	Estimate the value of ex-ante AD, when autonomous investment and consumption expenditure (A) is ₹50 crores, and MPS is 0.2 and level of income is ₹300 crores. Or Calculate Multiplier when MPC is $\frac{4}{5}$ and $\frac{1}{2}$. From the calculations establish the relation between size of Multiplier and size of MPC?	3																																							
18	Discuss the significance of 45 degree line in Keynesian Economics.	3																																							
19	Elaborate 'economic growth' as objective of government budget.	4																																							
20	Use following information of an imaginary country: <table border="1"> <thead> <tr> <th>Year</th> <th>2014 – 2015</th> <th>2015– 2016</th> <th>2016 - 2017</th> </tr> </thead> <tbody> <tr> <td>Nominal GDP</td> <td>6.5</td> <td>8.4</td> <td>9</td> </tr> <tr> <td>GDP deflator</td> <td>100</td> <td>140</td> <td>125</td> </tr> </tbody> </table> <p>i) For which year is real GDP and nominal GDP same and why? ii) Calculate Real GDP for the given years. Is there any year for which Real GDP falls?</p>	Year	2014 – 2015	2015– 2016	2016 - 2017	Nominal GDP	6.5	8.4	9	GDP deflator	100	140	125	4																											
Year	2014 – 2015	2015– 2016	2016 - 2017																																						
Nominal GDP	6.5	8.4	9																																						
GDP deflator	100	140	125																																						
21	How will 'Reverse Repo Rate' and 'Open Market Operations' control excess money supply in an economy? Or Illustrate with the help of a hypothetical numerical example the process of credit creation.	4																																							
22	a) Define Externality. b) Find National Income from following using expenditure method	2 4																																							
	<table border="1"> <thead> <tr> <th></th> <th></th> <th>• (in crores)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Current transfers from rest of the world</td> <td>50</td> </tr> <tr> <td>2</td> <td>Net Indirect taxes</td> <td>100</td> </tr> <tr> <td>3</td> <td>Net Exports</td> <td>- 25</td> </tr> <tr> <td>4</td> <td>Rent</td> <td>90</td> </tr> <tr> <td>5</td> <td>Private Final Consumption Expenditure</td> <td>900</td> </tr> <tr> <td>6</td> <td>Net Domestic Capital Formation</td> <td>200</td> </tr> <tr> <td>7</td> <td>Compensation of Employees</td> <td>500</td> </tr> <tr> <td>8</td> <td>Net Factor Income from Abroad</td> <td>- 10</td> </tr> <tr> <td>9</td> <td>Government Final Consumption Expenditure</td> <td>400</td> </tr> <tr> <td>10</td> <td>Profit</td> <td>220</td> </tr> <tr> <td>11</td> <td>Mixed Income of Self Employed</td> <td>400</td> </tr> <tr> <td>12</td> <td>Interest</td> <td>230</td> </tr> </tbody> </table>			• (in crores)	1	Current transfers from rest of the world	50	2	Net Indirect taxes	100	3	Net Exports	- 25	4	Rent	90	5	Private Final Consumption Expenditure	900	6	Net Domestic Capital Formation	200	7	Compensation of Employees	500	8	Net Factor Income from Abroad	- 10	9	Government Final Consumption Expenditure	400	10	Profit	220	11	Mixed Income of Self Employed	400	12	Interest	230	
		• (in crores)																																							
1	Current transfers from rest of the world	50																																							
2	Net Indirect taxes	100																																							
3	Net Exports	- 25																																							
4	Rent	90																																							
5	Private Final Consumption Expenditure	900																																							
6	Net Domestic Capital Formation	200																																							
7	Compensation of Employees	500																																							
8	Net Factor Income from Abroad	- 10																																							
9	Government Final Consumption Expenditure	400																																							
10	Profit	220																																							
11	Mixed Income of Self Employed	400																																							
12	Interest	230																																							

	Or	
	<p>Will the following factor income be included in domestic factor income of India? Give reasons for your answer:-</p> <p>(i) Compensation of employees to the resident of Japan working in Indian embassy in Japan.</p> <p>(ii) Payment of fees to a Chartered Accountant by a firm</p> <p>(iii) Rent received by an Indian resident from Russian embassy in India.</p> <p>(iv) Compensation given by insurance company to an injured worker.</p>	
23	<p>State whether the following statements are true or false. Give valid reasons for your answers.</p> <p>(i) Unplanned inventories accumulate when planned investment is less than planned saving.</p> <p>(ii) Deflationary gap exists when aggregate demand is greater than aggregate supply at full employment level.</p> <p>(iii) Average propensity to save can never be negative.</p>	6
24	<p>a) 'Devaluation and Depreciation of currency is one and the same thing'. Do you agree? How do they affect the exports of a country?</p> <p>b) What is meant by 'official reserve transactions'? Discuss their importance in Balance of Payments.</p>	3 3