

Sample Paper – 2014
Class – XII
Subject – Economics

Time: 3 hours

Maximum marks: 100

General instructions:

- (i) All questions in both the sections are compulsory.
- (ii) Marks for questions are indicated against each.
- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) 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.
- (vii) Answer should be **brief** and to the point and the above word limit be adhered to as far as possible.

SECTION-A

- Q1 What is the problem of resource allocation? 1**
- Q2 “Smoking is injurious to health.” In spite of this statutory warning, there is not much decrease in smoking and demand for cigarettes has not decreased. State any one way to decrease the demand of cigarettes. 1**
- Q3 A consumer spend Rs.100 at price Rs.4 per unit. How many units of good he will be able to buy when price rises to Rs.5 and price elasticity of demand is 1 ? 1**
- Q4 Can Average Fixed Cost curve meet X-axis? Give reason. 1**
- Q.5 Give two examples where technological progress leads to a shift in the supply curve. 1**
- Q.6 A consumer buy a good which has many substitutes available. How does it affect price elasticity of demand. Explain with the help of an example. 3**
- Q7 What is supply schedule? What is the effect on the supply of a good when government gives a subsidy on the production of that good? Explain. 3**
- Q8. Define Marginal Opportunity Cost along a PPC. What does increasing Marginal Opportunity cost along a PPC mean? 3**

Q9 From the given schedule explain the relation between price elasticity of demand and total expenditure : 3

Price per unit (Rs)	10	5	10	5	10	5
Quantity (Kg)	10	20	10	30	10	15

Q10 Compare the elasticity of demand of commodity A and B when:

Commodity A: At price Rs.4 per unit a consumer make total expenditure Rs.20 and when price rise by 25% his total expenditure fall by 25%.

Commodity B: At price Rs.3 per unit a consumer make total expenditure Rs.15 and when price rises to Rs.4 per unit his total expenditure rises to Rs.16.

Use Percentage method to calculate Price elasticity of demand. 3

Q11. Distinguish between Collusive and non-collusive oligopoly. Explain how the oligopoly firms are interdependent in taking price and output decisions. 4

Q12. A) Explain the concept of Marginal Rate of Substitution. Explain the reaction of the consumer when Marginal Rate of Substitution is higher than the ratio of prices.

B) Demand for petrol has increased due to increase of vehicles. Supply of petrol is not enough to meet the increasing demand of petrol. Suggest any two ways to decrease the demand of petrol. 2x2=4

OR

The following table shows MC at different levels of output by a firm. Its Average Fixed Cost is Rs.60 at 2nd Level of output. Find ATC and AVC at each level of output.

Output (units)	1	2	3
Marginal costs (Rs)	40	30	26

Q.13 Is a producer in equilibrium when (i) $MR > MC$, and (ii) $MR = MC$? Give reasons. 3

Q.14 Are the following statements true or false? Explain giving reasons:

a. When price of a factor input falls, supply of the good will also fall.

b. When Marginal product fall then total product increase at diminishing rate. 6

c. When MR is positive and constant, average and total revenue will both increase at constant rate. 6

Q.15 What is meant by consumer's equilibrium? Why consumer's equilibrium is attained when marginal utility of a product in terms of money is equal to its price? 6

OR

Explain the following briefly:

- a. consumer's equilibrium conditions with the help of indifference curve.
- b. Budget line and rightward shift of budget line using diagram.
- c. Law of demand with the help of diagram.

Q.16 X and Y are substitute goods. Explain the sequence of effects of a fall in the price of X on the equilibrium price and quantity of Y. 6

SECTION – B

Q.17 Can consumption exceeds income? If yes, what is the saving then? 1

Q.18 Why autonomous investment is essential? 1

Q.19 If \$9 are needed to buy £2, what is the exchange rate for USA dollar? 1

Q.20 Define Full bodied money. 1

Q.21 What is meant by Cash reserve ratio? 1

Q.22 Calculate Net National Disposable Income from the following data: 3

Particulars	Rs. In crores
(i) Current transfers from government	35
(ii) Private final consumption expenditure	500
(iii) Net current transfers from rest of the world	(-)10
(iv) Government final consumption expenditure	150
(v) Net factor incoe from abroad	(-)20
(vi) Net domestic capital formation	100
(vii) Net indirect taxes	120
(viii) Net exports	50

Q.23 "Household and firms depend on each other in the circular flow of income." Justify the statement in case of two sector model. 3

Q.24 Differentiate between Domestic income and National income. State any one transaction which is not included in domestic income of a country but is included in National income of a country. 3

Q.25 When price of a foreign currency rises, its supply also rises. Explain why. 3

OR

Define Appreciation and Depreciation of currency. What will be the effect of depreciation of domestic currency on exports?

Q.26 What is the meaning of Balance of payments? Explain any one item each of the current account and capital account of balance of payments account. 3

Q.27 What is Government budget? Explain any one component each of tax revenue receipts and capital account. 4

Q.28 Explain the meaning and implication of (i) Revenue deficit (ii) Fiscal deficit. 4

Q.29 Explain the concept of deflationary gap with the help of a diagram. What is its impact on output, employment and price level in the economy. 4

OR

In an economy with every increase in income 15% of the increased income is saved. Suppose a fresh investment of Rs.600 crore takes place in the economy, calculate the following:

(i) Change in income

(ii) change in consumption

Q.30 Explain any two functions of Central bank from the following:

a. Banker's bank and supervisor

b. Banker to the government

c. Controller of money supply. 3x2=6

Q.31 Explain each of the following briefly:

a. Aggregate demand and its components

b. Marginal propensity to save.

c. Average propensity to consume. 2x3=6

Q.32 Calculate from the following data, Gross National Product at factor cost by (a) Income method (b) Expenditure method: 6

Particulars	Rs. In crores
(i) Compensation of employees	1000
(ii) Operating surplus	500
(iii) Employer's contribution to social security schemes	120
(iv) Net exports	(-)30

(v) Net indirect taxes	40
(vi) Mixed income of self employed	600
(vii) Net factor income to abroad	(-)20
(viii) Consumption of fixed capital	40
(ix) Private final consumption expenditure	1400
(x) Government final consumption expenditure	490
(xi) Net fixed captial formation	250
(xii) Change in stock	30
(xiii) Interest on national debt	25

OR

Calculate GNP at FC from the following data by (a) Income method and (ii) Expenditure method.

Particulars	Rs. In crores
(i) Wages and salaries	800
(ii) Mixed income of self employed	160
(iii) Operating surplus	600
(iv) Undistributed profit	150
(v) Gross capital formation	330
(vi) Change in stocks	25
(vii) Net capital formation	300
(viii) Employer's contribution to social security schemes	100
(ix) Net factor income from abroad	(-)20
(x) Exports	30
(xi) Imports	60
(xii) Private final consumption expenditure	1000
(xiii) Government final consumption expenditure	450
(xiv) Net indirect taxes	60
(xv) Compensation of employees paid by the government	75

PREPARED BY: R.S. Bhullar

COMMERCE POINT

An institute for Accountancy and Economics

36-A, Rani Ka Bagh, Near Shivaji park, Amritsar (Punjab)

Mob. No. 9888-676976