Guess 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 price elasticity of demand when demand curve is parallel to Y-axis? 1

Q2 If necessary goods like sugar, wheat were left free to the market forces of demand and supply, then poor people may not afford them at the market determined price. What should be done by the government? 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 A firm is producing 20 units. At this level of output, the ATC and AVC are equal to Rs.40 and Rs.30 respectively. Find out the total fixed cost of the firm. 1

Q.5 Give two examples where technological progress leads to a shift in the supply curve. 1

Q.6 The demand curve of a good is a rectangular hyperbola. When its price falls by 20%, its quantity demanded rises by 80 units. Calculate the original demand. 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 incresing Marginal Opportunity cost along a PPC mean? 3**

Q9 Demand of a product is elastic. It price falls. What will be its effect on the total expenditure on the product? Give a numerical example. 3

Q10 Explain with the help of diagram the effect of a fall in prices of substitute good on demand for a good. 3

Q11. 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) Onion crises took place in India in 1998 and 2010. What can be done to tackle with such a crisis? 2x2=4

OR

A firm's average fixed cost, when it produces 2 units is Rs.30. Its average total cost schedule is given below. Calculate the marginal cost and average variable cost at each level of output.

Output (units)	**1**	**2**	**3**
Average total cost (Rs)	**80**	**48**	**40**

Q.13 Will a profit maximizing firm in a competitive market even produce a positive level of output in the range where the marginal cost is falling? Give an example. 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 Total revenue of a firm increase at diminishing rate then demand curve will be rectangular hyperbola. 6

Q.15 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. 2x3=6**

Q.16 How are the equilibrium price and quantity affected when:

a. both demand and supply curves shift in the same direction?

b. demand and supply curves shift in opposite direction? 6

SECTION – B

Q.17 If MPC is 0.25 and national income increases from Rs.4,000 crores to Rs.6,000 crore, what will be the increase in consumption in the economy? 1

Q.18 Why autunomous 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 money. 1

Q.21 What is meant by Statutory liquidity ratio? 1

Q.22 Calculate Gross value added at factor cost 3

	Particulars	
(i)	Output sold (units)	1000
(ii)	Price per unit of output (Rs)	30
(iii)	Depreciation (Rs)	1000
(iv)	Intermediate cost (Rs)	12000
(v)	Closing stock (Rs)	3000
(vi)	Opening stock (Rs)	2000
(vii)	Excise duty (Rs)	2500
(viii)	Sales tax (Rs)	3000

Q.23 Differentiate between Intermediate goods and final goods with example. 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 Define Appreciation and Depreciation of currency. What will be the effect of depreciation of domestic currency on exports?

Q.26 Explain any one item each of the current account and capital account of balance of payments account. 3

Q.27 Differentiate between Revenue budget and Capital budget. 4

Q.28 Differentiate between Tax revenue and Non-tax revenue receipts of government budget. 4

Q.29 If MPS is one fourth of MPC and consumption at zero level of national income is Rs.50 crores. Derive the saving and consumption functions. 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 following functions of Central bank from the following:

a. Bank of issue.

b. Banker to the government 3x2=6

Q.31 Explain each of the following briefly:

a. Inflationary gap and deflationary gap.

b. Marginal propensity to consume.

c. Average propensity to save. 2x3=6

Q.32 Calculate National income and Compensation of employees from the ffollowing data:

Particulars		Rs. In crores
(i)	Royalty	15
(ii)	Private final consumption expenditure	400
(iii)	Net current transfers from rest of the world	20
(iv)	Government final consumption expenditure	100
(v)	Net factor income from abroad	(-)10
(vi)	Net domestic capital formation	80
(vii)	Consumption of fixed capital	50
(viii)	Net exports	40
(ix)	Net indirect taxes	60
(x)	Employer's contribution to social security schemes	90
(xi)	Rent	180
(xii)	Interest	120
(xiii)	Profits	85

OR 6M

Calculate National income and Gross domestic capital formation

Particulars		Rs. In crores
(i)	Government final consumption expenditure	100
(ii)	Subsidy	10

(iii)	Rent	200
(iv)	Wages and salaries	600
(v)	Indirect taxes	60
(vi)	Private final consumption expenditure	800
(vii)	Change in stock	50
(viii)	Social security contribution by employers	55
(ix)	Royalty	25
(x)	Net factor income paid to abroad	30
(xi)	Interest	20
(xii)	Consumption of fixed capital	10
(xiii)	Profit	130
(xiv)	Net exports	70

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