

Guess Paper – 2014
Class – XII
Subject – ECONOMICS

SECTION A

1. Define total revenue? 1
2. What does a leftward shift of supply curve indicate? 1
3. Under which market form is a firm a price maker? 1
4. When is the demand for a good said to be perfectly elastic? 1
5. Give one reason for a decrease in supply of the commodity? 1
6. How is the demand for a good affected by a fall in the prices of other goods? Explain. 3
7. A customer demand 100 units of a good at a price of rs 20 per unit. Price elasticity of demand is 1.25. what quantity will the firm demand at a price of rs 30 per unit? 3
8. Explain the meaning of diminishing marginal rate of substitution with the help of a numerical example. 3
9. From the following table, find out the level of output at which the producer will be in equilibrium. Give reasons for your answer. 3

Output (units)	Marginal Revenue(MR)	Marginal Cost(MC)
1	10	12
2	10	10
3	10	8
4	10	10
5	10	14

10. Why can a firm is able to earn abnormal profits under monopoly in the short run and long run? Explain. 3

OR

What is the difference between the demand curve of monopoly and monopolistic competition? Explain

11. Equilibrium price of an essential food is too high. Explain what possible steps can be taken to bring down the equilibrium price but only through the market forces. Also explain the series of changes that will occur in the market. 4
12. Explain the meaning of positive and normative economics with examples ? 4
13. 'all short-run average cost curves are U-shaped'—do you agree with this statement ? if not, why? 4
14. The cost function of a firm is given below:

Output(units)	0	1	2	3	4	5	6
Total Cost(Rs.)	50	90	120	135	138	145	190

Determine TFC, TVC, AFC, AVC, AC and MC 6

OR

Explain the relationship between AVC curve and the AP curve of the variable factor with the help of a graph.

15. "Equilibrium price may or may not change". Justify this statement. 6
16. Giving reasons, state whether the following statements are true or false : 6
- i- MC always cuts AVC at its minimum cost.
 - ii- With increase in level of output, average fixed cost goes on falling till it reaches zero.
 - iii- Indifference curves are always intersect each other.

SECTION B

17. Give an example of the economic agent or 'player' in a macroeconomic system. 1
18. What is high powered money? 1
19. What is the implication of the assumption of 'short-run fixed price in the product market' ? 1
20. To whom does the phrase 'lender of the last resort' allude and why ? 1
21. What is a progressive income tax ? 1
22. Mention different stages in the evolution of money.

OR

How does variations in bank rate influence the money supply in an economy? 3

23. Distinguish between revenue expenditure and capital expenditure. Give an example of each. 3
24. Explain the role of government to reduce inequalities of income ? 3
25. Explain the effect of appreciation of domestic currency on exports? 3
26. State three merits or three demerits of the fixed exchange rate system. 3
27. Calculate 'compensation of employees' from the following data: (rs in lakhs) 4
- | | | |
|-------|---|-------|
| i- | Gross National Product at market price | 45000 |
| ii- | Rent | 2000 |
| iii- | Subsidies | 1000 |
| iv- | Factor income earned from abroad | 800 |
| v- | Interest | 1700 |
| vi- | Indirect taxes | 900 |
| vii- | Consumption of fixed capital | 1500 |
| viii- | Dividend | 4500 |
| ix- | Net current transfer from rest of the world | 2900 |
| x- | Savings of private corporate sector | 2200 |
| xi- | Employees contribution to SSS | 1750 |
| xii- | Royalty | 1000 |
| xiii- | Factor income paid to abroad | 1150 |

xiv- Mixed income

7000

28. Distinguish between “real” gross domestic product and nominal gross domestic product. Which of these is a better index of welfare of the people and why?

OR

- Explain the difficulties of measuring national income in a less developed economy. 4
29. Explain the concept of money multiplier in an economy with the help of an example. 4
30. Explain the process of output multiplier with the help of a numerical illustration. 4
31. Explain the impact of change in autonomous expenditure on equilibrium output/income 4
32. Calculate i- NDP at fc and ii- personal income from the following information : (rs in crores)

i-	Net indirect taxes	50
ii-	Personal taxes	35
iii-	Savings of non-departmental enterprises	20
iv-	Private final consumption expenditure	760
v-	Net factor income from abroad	15
vi-	Net current transfer from rest of the world	10
vii-	Dividend	5
viii-	Net domestic fixed capital formation	120
ix-	Current transfers from government	40
x-	Change in stock	(-10)
xi-	Government final consumption expenditure	200
xii-	Corporation tax	40
xiii-	National debt interest	50
xiv-	Income from property and entrepreneurship Accruing to the government administrative Department	50
xv-	Net exports	(-20)
xvi-	Profits	50
xvii-	Current transfer to government	50

OR

Explain whether the following items are included or not in calculating National income with reason.

- i- Transport expenses by a firm
- ii- Expenditure on construction of a house
- iii- Gift received from the employer
- iv- Purchases by foreign tourists
- v- Salary received by an Indian resident working in US embassy in New Delhi.
- vi- Interest paid on loan taken to purchase a personal car.



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