DESIGN OF QUESTION PAPER
ECONOMICS
Class - XII

Marks - 100 **Duration - 3 hrs.**

1. Weightage by types of questions

Type	Number of questions	Marks	Total	Estimated time a candidate is expected to take to answer
Long answer questions	6	6	36	60 minutes
Short answer questions I	6	4	24	36 Minutes
Short answer questions II	10	3	30	50 Minutes
Very short answer questions	10	1	10	15 Minutes

2. Weightage by content

Unit No	Unit/ Sub-Units	Marks
1.	Introduction	4
2.	Consumer Behaviour and Demand	13
3.	Producer Behaviour and Supply	23
4.	Forms of Market and Price determination	10
5.	National income and related aggregates	15
6.	Determination of income and employment	12
7.	Money and Banking	8
8.	Government Budget and the economy	8
9.	Balance of Payments	7
		100

3. Difficulty level of the question paper

Level	Marks	% age of the total marks
Difficult (can be attempted by top students)	20	20
Average (can be attempted by students who have regularly studied the study material but may not have given sufficient time to writing	50	50
Easy (can be attempted satisfactorily by students who have gone through the study material)	30	30

4. **<u>Scheme of Options</u>**

There is no overall choice. However, there is an Internal choice in one question of 6 marks, one question of 4 marks and one question of 3 marks in each section. Thus there will be internal choice to 6 questions.

Sample Question Paper - I
Economics
Class - XII

Time - 3 Hours. **Maximum marks - 100**

Notes :

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. What gives rise to an economic problem? (1)

2. Define 'production function'. (1)

3. What happens to equilibrium price of a commodity if there is 'decrease' in its demand and 'increase' in its supply?

4. What induces new firms to enter an industry? (1)

5. Define cost. (1)

6. State **three** changes leading to the shift of demand curve of a consumer to the right. (3)

7. What will be the price elasticity of supply if the supply curve is a positively sloped straight line? (3)

8. Explain why a production possibilities curve is concave. (3)

OR

9. Find the profit maximizing level of output from the following :

Quantity sold (Units)	**Price** (Rs. per unit)	**Average Total Cost** (Rs.)
7	10	6
8	9	5
9	8	6
10	7	7

10. Define marginal revenue. State the relation between marginal revenue and average revenue when a firm : (3)

    (i) is able to sell more quantity of output at the same price.

    (ii) is able to sell more quantity of output only by lowering the price. (3)

11. A consumer buys 100 units of a good at a price of Rs. 5 per unit. When price changes he buys 140 units. What is the new price if price elasticity of demand is - 2 ? (4)

12. State **any two** features each of monopoly and monopolistic competition.

OR

State four features of a perfectly competitive market.

13. Explain the effects of 'increase' in supply of a good on its equilibrium and equilibrium quantity. Use diagram. (4)

For blind candidates in lieu of Q. No. 13

Explain the effects of 'increase' in supply of a good on its equilibrium price and equilibrium quantity with the help of a schedule. (4)

14. Draw average total cost, average variable cost, and marginal cost curves in a single diagram. Also explain the relationship between ATC and AVC.

For blind candidates in lieu of Q. NO. 14

Explain the relation between (i) ATC and AVC and (ii) MC and AVC. (6)

15. What is consumer's equilbrium? Explain the conditions of consumer's equilibrium assuming that the consumer consumes only two goods.

OR

Distinguish between an inferior good and a normal good. Explain the effect of change in income on each giving suitable examples. (6)

16. Explain the reasons for : (i) increasing returns to a factor and (ii) increasing returns to scale. (6)

Section B

17. Give meaning of involuntary unemployment. (1)

18. What is the relationship between marginal propensity to consume and marginal propensity to save? (1)

19. State **any two** sources of non-tax revenue receipts. (1)

20. Why is entertainment tax an indirect tax? (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 :

		(Rs. in Crores)
(i)	Subsidy	40
(ii)	Sales	800
(iii)	Depreciation	30
(iv)	Exports	100
(v)	Closing stock	20
(vi)	Opening stock	50
(vii)	Intermediate purchases	500

(3)

23. Can there be a fiscal deficit in a government budget without a revenue deficit? Explain

OR

Distinguish between direct tax and indirect tax. Give an example of each. (3)

24. Categorise the following government receipts into revenue and capital receipts Give reasons for your answer.

(a) Receipts from sale of shares of a public sector undertaking.

(b) Borrowings from public.

(c) Profits of public sector undertaking (3)

25. List **three** sources each of demand and supply of foreign exchange (3)

26. Name **any three** types of deposit accounts of commercial banks and also state one of their distinguishing features. (4)

27. Distinguish between current account and capital account of balance of payment account. Is import of machinery recorded in current account or capital account? (4)

28. State the role of central bank as a banker to the government.

OR

Describe the following functions of money :-

(a) Medium of exchange

(b) Standard of deferred payment (4)

29. An increase of Rs. 250 crores in investment in an economy resulted in total increase in income of Rs. 1000 crores, Calculate the following :

(a) Marginal propensity to consume

(b) Change in Savings

(c) Change in consumption expenditure

(d) Value of multiplier (4)

30. Why are exports included in the estimation of domestic product by the expenditure method? Can gross domestic product be greater than gross national product ? Explain (6)

31. Explain the meaning of equilibrium level of income and output with the help of saving and investment curves. If planned expenditure is less than planned output, what changes will take place in the economy?

For Blind Candidates in lieu of Q. No. 31

Explain the meaning of equilibrium level of employment by saving and investment approach. If planned expenditure is less than planned output, what changes will take place in the economy?

32. From the following data calculate National Income by Income and Expenditure methods : (3, 3)

		(Rs crores)
(i)	Government final consumption expenditure	100
(ii)	Subsidies	10
(iii)	Rent	200
(iv)	Wages and salaries	600
(v)	Indirect tax	60
(vi)	Private final consumption expenditure	800
(vii)	Gross domestic capital formation	120
(viii)	Social security contributions by employers	55
(ix)	Royalty	25
(x)	Net factor income paid to abroad	30
(xi)	Interest	20
(xii)	Net domestic capital formation	110
(xiii)	Profit	130
(xiv)	Net exports	70

OR

Calculate Gross National Disposable Income and Personal Income from the following data : (3, 3)

		(Rs. Crores)
(i)	Personal tax	120
(ii)	Net indirect tax	100
(iii)	Corporation tax	90
(iv)	National income	1000
(v)	Net factor income from abroad	5
(vi)	Consumption of fixed capital	50
(vii)	National debt interest	70
(viii)	Retained earnings of private corporate sector	40
(ix)	Net current transfers to the rest of the world.	(-)20
(x)	Current transfers from government	30
(xi)	Share of government in national income	80

Marking Scheme

1. Scarcity of resources (1)

2. Production function is a technological relationship between physical inputs and physical output (1)

3. Equlibrium price will fall. (1)

4. Earning of above- normal profit by the existing firms. (1)

5. Cost of producing a good is the sum of actual expenditure on inputs and the imputed expenditure on the inputs supplied by the owner. (1)

6.
   1. Rise in the price of the substitute good.
   2. Fall in the price of complementary good.
   3. Rise in income (in case of a normal good)
   4. Fall in income (in case of an inferior good)
   5. Increase in taste for the good.

(Any three) (1x3)

7. Es = 1 if the curve starts from the origin
   Es> 1 if the curve starts from the y-axis
   E<1 if the curve starts from the x-axix

8. Downward sloping concave PP curve shows increasing Marginal Rate of Transformation (MRT) as more quantity of one good is produced by reducing quantity of the other good. This behaviour of the MRT is based on the assumption that all resources are not equally efficient in production of all goods. As more of one good is produced, less and less efficient resources have to be transferred to the production of the other good which raises marginal cost i.e. MRT. (3)

OR

The problem means that who will buy the goods produced ? Clearly those who have income will buy. people earn income in the form of wages, rent, interest and profit. This reduces the problem to the problem of distribution of income among people. (3)

9.

Qty. sold. (Units)	Price (Rs. per unit)	ATC (Rs)	TR (Rs)	TC (Rs)	Profit (TR-TC)	
7	10	6	70	42	28	
8	9	5	72	40	32	
9	8	6	72	54	22	
10	7	7	70	70	0	(2)

Profit maximizing output = 8 units (1)

10. Marginal revenue is the addition to total revenue from producing one more unit of output (1)

(i) MR = AR at all the output levels (1)

(ii) MR will be less than AR at all the output levels (1)

11. $E = \frac{P}{Q} \times \frac{\Delta Q}{\Delta P}$ (1)

$-2 = \frac{5}{100} \text{x} \frac{40}{\angle p}$ (1½)

$-200 \triangle P = 200$

or $\triangle P = -1$ (½)

New P = P+$\triangle$P = 5+(–1) = Rs.4. (1)

12. Monopoly :

(1) Only one producer

(2) No freedom of entry to new firms, etc.

Monopolistic Competition (1x2)

(1) Large number of sellers and buyers

(2) Firms produce diiferentiated products.

(3) Freedom of entry and exit to firms

(4) Perfect knowledge about market (any two) 1x2

OR

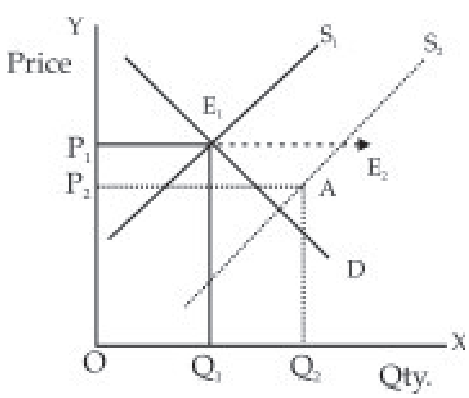
Perfect competition : (1) Large number of sellers and buyers

(2) Firms produce homegeneous product

(3) Freedom of entry and exit to firm

(4) Perfect knowledge about market and technology. (1x4)

13. Increase in supply means more quantity supplied at the given price. Supply curve shifts to the right from S1 to S2. This creates excess supply (=E, A) at price OP. Since the firms are not able to sell what they produce, Competition among firms leading to fall in price. takes place. Fall in price leads to rise in demand and fall in supply. These changes continue till price falls to OP_2 OP_2 is the new equilibrium price and OQ_2. equilibrum quantity. (3)



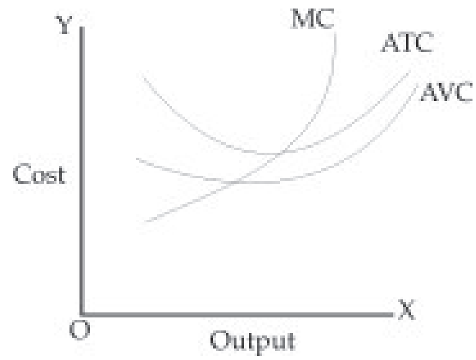
(1)

For Blind Candidates in lieu of Question No. 13

Schedule (2)

Explanation (2)

14.



Relation between ATC and AVC. (3)

1. ATC is greater than AVC by the amount of AFC. (1½)

2. The difference between ATC and AVC decreases as more output is produced because AFC declines as level of output increases. (1½)

For Blind Candidates in lieu of Q. No.14

(i) Relation between ATC and AVC (Same as above) (3)

(ii) Relation between MC and AVC :

(a) When MC> AVC, AVC falls

(b) When MC= AVC, AVC is constant (1x3)

(c) When MC< AVC, AVC falls

15. Consumer's equiibrium means allocation of income by a consumer on goods and services in a manner that gives him maximum satisfaction. (2)

The two conditions of consumer's equibrium are :

(i) Ratio of marginal utility to price in case of each good is the same i.e.

$$\frac{MUx}{Px} = \frac{MUy}{Py}$$ (2)

(ii) MU of a good decreases as more of it is consumed. (2)

16. (i) It means that TPP increases at an increasing rate and consequently MPP rises. It is due to (a) more efficient utilization of fixed input and (b) division of labour and specialisation due to increase in the quantity of variable input. (3)

(ii) It means output increasing in greater proportion than the increase in all input simultaneously and in the same proportion. It is due to (a) more division of labour leading to specialisation that increases produtivilty and(b) use of specialized machines.

Section B

Q.No.		Marks
17.	Involuntary unemployment occurs when those who are able and willing to work at the prevailing wage rate do not get work	(1)
18.	The sum of MPC and MPS is equal to 1.	(1)
19.	Income from investment made by the government, fees and fines received by the government.	(½x2)
20.	It is an indirect tax because its burden can be shifted.	(1)
21.	It is the ratio of bank deposits that the commercial banks must keep with the central bank.	(1)
22.	NVAfc = (ii)+(v)-(vi)-(vii)-(iii)+(i)	(1)
	= 800+20-50-500-30+40	(1½)
	= Rs. 280 lakhs	(½)
23.	Yes it is possible in the following situations	
	(i) When revenue budget is balanced and capital budget shows a deficit.	
	(ii) When there is a surplus in the revenue budget but the deficit in capital budget is greater than this surplus	(1½)
	OR	
	Direct tax is a tax in which incidence & impact is on the same person. Its burden cannot be shifted. Indirect tax is a tax where burden can be shifted.	(2)
	Exampls : Direct Tax : Income Tax etc.................	(½)
	Indirect Tax : Excise duty etc..............	(½)
24.	(a) It is a capital receipt as it results in reduction of asset.	
	(b) It is a capital receipt as it creates liability.	
	(c) It is a revenue receipt as it neither creates a liability nor reduces any asset.	(1)
25.	Sources of demand for foreign exchange :	
	(i) Importers	
	(ii) Tourists going abroad	
	(iii) Investors who want to make investments in other countries.	(½x3)
	Sources of supply of foreign exchange.	
	(i) Exporters	
	(ii) Foreign tourists	
	(iii) Remittances from abroad, etc.	(½x3)

26. (i) Current account deposits

The bank does not pay any interest on deposit in this account. (½)

(ii) Saving account deposits (½)

Interest is paid on deposits is this account. (½)

(iii) Fixed/ term deposits (½)

Interest paid on such deposits is higher than the interest paid on deposits under saving account (½)

27. In current account, transactions relating to export and import of goods and services and transfer payment are recorded. In capital account transaction relating to international purchases and sales of assets are recorded. (3)
Import of machinery is included under import of goods and so it is recorded under current account. (1)

28. The central bank acts as a banker to the government. The government keeps its cash balance with the central bank. The central bank accepts receipts and makes payments for the government. It also provides short term credit facility to the government.
It also manages the public debt. It also advises the government on banking and financial matters. (4)

OR

(a) Money is acceptable as means of exchange. A person can sell his goods or services in exchange for money and can use this money for buying the goods and services that he needs. Thus money acts as a medium of exchange, (2)

(b) Deferred payments mean payments to be made in future. Money serves as a standard for deferred payments. Money can perform this function only if its value remains more or less stable. (2)

29. (a) $\frac{\Delta Y}{\Delta I} = K = \frac{1}{MPS}$

$$\frac{1000}{250} = \frac{1}{MPS}$$

MPS = 0.25

$\therefore MPC = 0.75$

So MPC = 0.75 (1)

(b) $\Delta S = \Delta Y \times MPS$

$= 1000 \times 0.25$

= Rs. 250 Crores (1)

(c) $\Delta C = \Delta Y \times MPC$

$= 1000 \times 0.75$

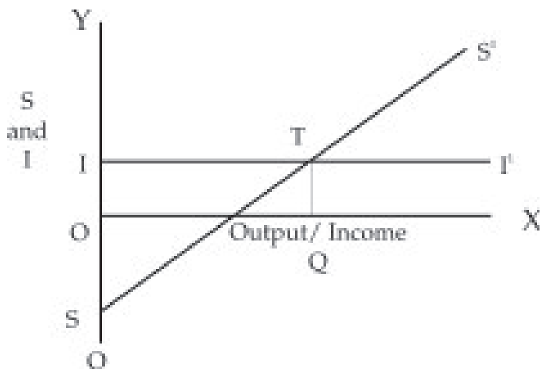
= Rs. 750 Crores (1)

(d) $K = \frac{\Delta Y}{\Delta I} = \frac{1000}{250} = 4$ (1)

30. Expenditure method estimates expenditure on domestic product, i.e expenditure on final goods and services produced within the economic territory of the country. It includes expenditure by residents and non- residents both. Exports, though purchased by non- residents, are produced within the economic territory, and therefore, a part of domestic product. (4)

Domestic product can be greater than national product if factor income paid to the rest of the world is greater than the factor income received from the rest of the world is i.e. when net-factor income received from abroad is negative. (2)

31. The equilibrium level of income and output is that level at which planned saving and planned investment are equal. (1)



ss' is the saving curve that shows planned saving at diffrent levels of income. I I' shows fixed level of investment as it is assumed that investment is given and is constant, OQ is the equilibrium level of income and output as at this level, planned saving and investment are equal (2)

If planned expenditure is less than planned output inventories will increase. So output will be reduced till planned expenditure and planned output are equal.

For Blind candidates

Same as above except diagram

32. **Income method**

National Income = (iv+viii) + (iii + ix) + xi+xiii - x (1)

= (600+55)+(200+25)+20+130-30 (1½)

=Rs. 1000 crores (½)

Expenditure Method

National Income = vi+i+xii+xiv-v+ii-x (1)

= 800+100+110+70-60+10-30 (1½)

= Rs. 1000 Crores (½)

OR

GNDI = iv+ii+vi-ix (1)

= 1000 +100 + 50 -(-20) (1½)

= Rs. 1170 (½)

Personal Income = (iv-xi) + (vii-ix+x)-viii-iii (1)

= 1000-80+70-(-20)+30- 40- 90 (1½)

= Rs. 910 Crores. (½)