

SAMPLE QUESTION PAPER 2
ECONOMICS
Class XII

Maximum Marks: 100

Time: 3 hours

BLUE PRINT

Sl. No.	Forms of Questions Content Unit	Very Short (1 Mark)	Short Answer (3,4 Marks)	Long Answer (6 Marks)	Total
1.	Unit 1		4 (1)	-	4 (1)
2.	Unit 2	1 (1)	3 (1) 4 (2)	6(1)	18 (5)
3.	Unit 3	1 (3)	3 (3)	6 (1)	18 (7)
4.	Unit 4	1 (1)	3 (1)	6 (1)	10 (3)
5.	Unit 6	-	3 (1)	6 (2)	15 (3)
6.	Unit 7	1 (1)	3 (1) 4 (1)		8 (3)
7.	Unit 8	-	3 (2)	6 (1)	12 (3)
8.	Unit 9	1 (1)	3 (1) 4 (1)	-	8 (3)
9	Unit 10	1 (3)	4 (1)	-	7 (4)
	Sub-Total	10 (10)	30 (10) 24 (6)	36 (6)	100 (32)

Notes: *Figures within brackets indicate the number of questions and figures outside the brackets indicate the Marks for each question.*

Sample Question Paper – II

Economics

Class – XII

Time – 3 Hours.

Maximum marks – 100

Instructions

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 causes an upward movement along a demand curve of a commodity ? (1)
2. What is the price elasticity of supply of a commodity whose straight line supply curve passes through the origin forming an angle of 75° ? (1)
3. What change will take place in marginal product, when total product increases at a diminishing rate? (1)
4. Give the meaning of marginal cost. (1)
5. Give the meaning of 'oligopoly'. (1)
6. Explain the inverse relationship between the price of a commodity and its demand. (3)
7. State the 'law of supply'. What is meant by the assumption 'other things remaining the same' on which the law is based? (3)
8. The price elasticity of supply of good X is half the price elasticity of supply of (3)

Good Y. A 10% rise in the price of good Y results in a rise in its supply from 400 units to 520 units. Calculate the percentage change in quantity supplied of good X when its price falls from Rs 10 to Rs 8 per unit.

9. State the distinction between explicit cost and implicit cost. Give an example of each. (3)
10. Explain the implication of 'product differentiation' feature of monopolistic competition. (3)

OR

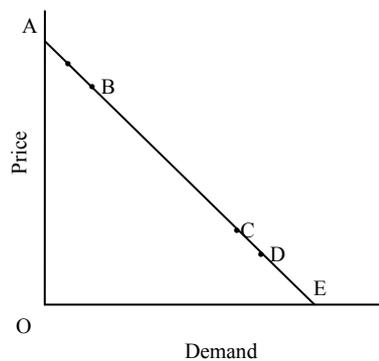
Explain the implication of 'homogenous product' feature of perfect competition.

11. Explain the effect of a rise in the prices of 'related goods' on the demand for a good X. (4)
12. Explain the concept of opportunity cost with the help of an example. (4)

OR

Explain the central problem of distribution in an economy.

13.



The diagram shows AE is the demand curve of a commodity. On the basis of this diagram, state whether the following statements are true or false. Give reasons for your answer:

- (a) Demand at point B is price inelastic.
- (b) Demand at point C is more price elastic than at point B.
- (c) Demand at point C is price elastic.
- (d) Price elasticity of demand at point C is greater than the price elasticity of demand at point D. (4)

For Blind candidates in lieu of Q. No. 13

Calculate the percentage fall in demand for a good whose price rises from Rs. 10 per unit to Rs. 11 per unit. Its price elasticity of demand is -0.25. (4)

14. Explain the likely behaviour of Total Product and Marginal Product when for increasing production only one input is increased while all other inputs are kept constant. (6)
15. There is a simultaneous 'decrease' in demand and supply of a commodity. When will it result in:
(a) No change in equilibrium price.
(b) A fall in equilibrium price.
Use diagrams.

For Blind Candidates in lieu of Ques. 15

- There is a simultaneous 'decrease' in demand and supply of a commodity. Explain its effect on equilibrium price. (6)
16. (a) What is a budget line? What does the point on it indicate in terms of prices?
(b) A consumer consumes only two goods X and Y. Her money income is Rs 24 and the prices of Goods X and Y are Rs 4 and Rs 2 respectively. Answer the following questions:
(i) Can the consumer afford a bundle 4X and 5Y? Explain
(ii) What will be the MRS_{XY} when the consumer is in equilibrium? Explain.

OR

Explain the following:

- (a) Why is an indifference curve convex to the origin?
(b) Why does a higher indifference curve represent a higher level of satisfaction? (6)

Section B

17. What is meant by foreign exchange rate? (1)
18. What is meant by Statutory Liquidity Ratio? (1)
19. How is primary deficit calculated? (1)
20. What is meant by balance of trade? (1)
21. State two sources of supply of foreign currency. (1)
22. Can an economy be in equilibrium when there is unemployment in the economy. Explain. (3)
23. In an economy income increases by 10,000 as a result of a rise in investment expenditure by 1,000. Calculate: (3)

- (a) Investment Multiplier
(b) Marginal Propensity to Consume

24. How does money solve the problem of double coincidence of wants? (3)
25. How can budgetary policy be used for reducing inequalities in income and wealth? (3)

OR

How can budgetary policy be used for allocation of resources in the economy?

26. Calculate gross fixed capital formation from the following data: (3)

Rs crores

(i) Private final consumption expenditure	1,000
(ii) Government final consumption expenditure	500
(iii) Net exports	(-) 50
(iv) Net factor income from abroad	20
(v) Gross domestic product at market price	2,500
(vi) Opening stock	300
(vii) Closing stock	200

27. Distinguish between revenue expenditure and capital expenditure in a government budget. Give two examples of each. (4)
28. Explain the function of a Central Bank as a banker to the government. (4)

OR

Explain the open market operations method of credit control used by a Central Bank:

29. Explain the meaning of deficit in Balance of Payments. (4)
30. State whether the following statements are true or false. Give reasons for your answer: (6)
(a) Capital formation is a flow.
(b) Bread is always a consumer good.
(c) Nominal GDP can never be less than Real GDP.
(d) Gross domestic capital formation is always greater than gross fixed capital formation.
31. Given below is the consumption function in an economy: (6)

$$C = 100 + 0.5Y$$

With the help of a numerical example show that in this economy as income increases APC will decrease.

OR

The savings function of an economy is $S = -200 + 0.25Y$. The economy is in equilibrium when income is equal to 2,000. Calculate:

- (a) Investment expenditure at equilibrium level of income.
- (b) Autonomous consumption.
- (c) Investment multiplier.

32. Calculate Gross National Product at market price and Personal Disposable income from the following data: (6)

	<i>(Rs crores)</i>
(i) Subsidy	20
(ii) Net factor income from abroad	(-) 60
(iii) Consumption of fixed capital	50
(iv) Personal tax	110
(v) Savings of private corporations	40
(vi) Dividend	20
(vii) Indirect tax	100
(viii) Corporation tax	90
(ix) Net national disposable income	1,000
(x) National debt interest	30
(xi) Net current transfers from abroad	20
(xii) Current transfers from government	50
(xiii) Miscellaneous receipts of the government administrative departments	30
(xiv) Private income	700
(xv) Private final consumption expenditure	380

Marking Scheme
Sample Question Paper II
Economics: Class XII

Section A

1. Rise in the price of the good. 1
2. Price elasticity of supply is equal to one. 1
3. Marginal product will decline but remain positive. 1
4. Marginal cost is the addition to total cost on producing one more unit of output. 1
5. It is a form of market in which there are a few firms, or a few large firms. 1
6. A consumer purchases that much quantity of a good at which its marginal utility equals its price. Given this situation, suppose price falls. It makes marginal utility greater than the price and induces the consumer to buy more of the good. This establishes inverse relation between price and demand. 3
7. According to the law there is a direct relation between price of the good and its supply, other things remaining the same. Other things include all factors, other than the own price, which can influence supply, like prices of inputs, taxes on production, prices of other goods, etc. 3

8.

$$E_s \text{ of good Y} = \frac{\% \text{ change in supply of Y}}{\% \text{ change in price of Y}} \quad \frac{1}{2}$$

$$= \frac{\frac{120}{400} \times 100}{10} = \frac{30}{10} = 3 \quad \frac{1}{2}$$

Since E_s of X is half of the E_s of Y, therefore 1/2

$$E_s \text{ of X} = 3/2 = 1.5$$

Substituting values to find supply of X,

$$1.5 = \frac{\% \text{ change in supply of Y}}{\frac{-2}{10} \times 100} \quad \frac{1}{2}$$

% change in $S_x = 1.5 \times -20 = -30$ 1/2

Therefore supply of X falls by 30 percent. 1/2

9. Explicit cost is the actual monetary expenditure on inputs, like expenditure on purchases of raw materials, on payment of wages, interest, rent, etc. 1 1/2

Implicit cost is the estimated value of inputs supplied by the owner of the firm, like imputed salaries of the owners, imputed rent of the building of the owners, imputed interest on the money invested by the owners, etc. 1 1/2

10. Product differentiation means that the buyers of a product differentiate between the same product produced by different firms. Therefore, they are also willing to pay different prices for the same product produced by different firms. This gives an individual firm some monopoly power to influence market price of its product. 3

OR

Homogenous product means that the buyers treat products of all the firms in the industry as identical. Therefore, the buyers are willing to pay only the same price for the products of all the firms in the industry. It also implies that no individual firm is in a position to charge a higher price for its product. This ensures uniform price in the market. 3

11. Related goods can be substitutes or complementary to goods X. 2
Rise in the price of a substitute makes good X relatively cheaper. So X will be substituted for this good. Hence demand for good X will increase.

Rise in price of complementary good will result in fall in its demand. As good X and its complementary good are used together, demand for good X will decrease. 2

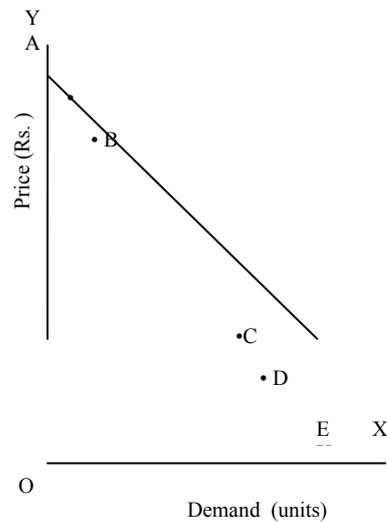
12. Opportunity cost refers to forgoing the next best opportunity in availing the best opportunity. It can be defined as the value of next best use to which the resources could be put. Suppose a producer has two options, to produce good X and earn Rs.10000, produce Y and earn Rs. 7000. Producer chooses X because it gives him more profit. Then the opportunity cost of choosing to produce X is Rs.7000. 2

OR

The problem is related to distribution of goods and services produced in the economy. 4
It arises because the output produced is limited while the wants of people are unlimited.

In other words it is the problem of distribution of income because income gives the people power to purchase these goods.

13.



(a) False . Demand at B is price elastic

lower segment

Elasticity of demand = -----

upper segment

As BE (lower segment) > BA (upper segment) Elasticity >1.

1

(b) False. Demand is less elastic at C than at B

1

CE BE

Because --- < ---

AC AB

(c) False. Demand at C is in elastic because CE/AC is less than 1.

1

(d) True.

$$\text{At pt. C, } e = \frac{CE}{CA}$$

$$\text{At pt. D, } e = \frac{DE}{DA}$$

As $\frac{CE}{CA} > \frac{DE}{DA}$ elasticity at pt C is greater than elasticity at pt. D.

1

For Blind candidates in lieu of Q. No. 13

$$\text{Ed} = \frac{\text{Percentage change in demand}}{\text{Percentage change in price}} \quad 1\frac{1}{2}$$

$$\text{Ed} = \frac{\text{Percentage change in demand}}{1} \times 100 = \frac{1}{10} \quad \frac{1}{2}$$

$$-0.25 = \frac{\text{Percentage change in demand}}{10} \quad 1$$

$$\begin{aligned} \text{Percentage change in demand} &= -0.25 \times 10 \\ &= 2.5 \% \text{ fall.} \end{aligned} \quad 1$$

14. The likely behavior of TP and MP is summed up as the Law of Variable proportions and is :

Phase I :

Initially TP increases at increasing rate i.e. MP rises. It is because initially the quantity of the variable input is too small in relation to the fixed input. As the quantity of the variable input increases the fixed input is effectively utilized leading to rise in MP of the variable input. 2

Phase II :

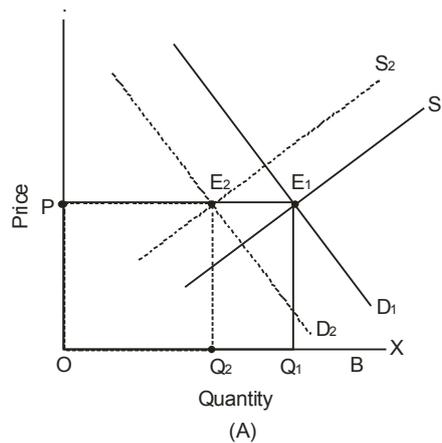
After a certain level of output TP increases at a decreasing rate i.e. MP starts falling but remaining positive. It is because now a pressure is being felt on fixed inputs as the variable input is increased further. This leads to fall in MP of the variable input. 2

Phase III :

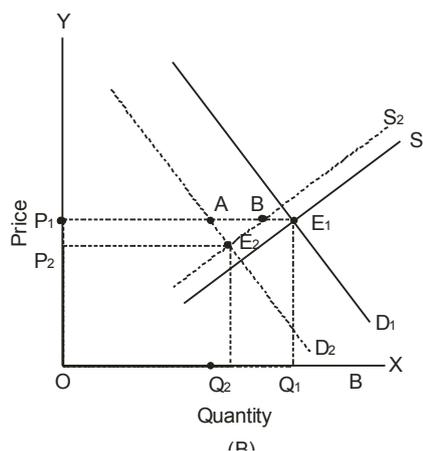
Ultimately TP starts falling and MP is negative and decreasing. It is because the quantity of fixed input now becomes too small to accommodate the continuously rising variable input. This makes MP of the variable input negative. 2

15. Decrease in demand means less quantity demanded at the same price. This leads to shift of demand curve leftward from D_1 to D_2 and decrease in supply means less quantity supplied at same price. This leads to leftward shift of supply curve from S_1 to S_2 . 1

(a) If decrease in demand is equal to decrease in supply there will be no change in equilibrium price. In the diagram (A) the two decreases are equal to $Q_2 Q_1$. The equilibrium price remains unchanged at OP. 1



1½



1½

- (b) Equilibrium price will fall when decrease in demand is greater than decrease in supply. 1
In diagram (B) decrease in demand (AE_1) is greater than decrease in supply (BE_1) leading to fall in the equilibrium price from OP_1 to OP_2 .

For the blind candidates in lieu of Q.No. 15

There are three possible effects on the equilibrium price:

- (i) If decrease in demand is equal to decrease in supply the equilibrium price remains unchanged. 2
- (ii) If decrease in demand is greater than the decrease in supply, equilibrium price will fall. 2
- (iii) If decrease in demand is less than the decrease in supply, equilibrium price will rise. 2
16. (a) Budget line is the locus of points that show different possible combinations of the two goods which a consumer can afford, given his income and the market prices of the two goods. 1

In terms of prices, a point on the budget line represents the ratio of price of the good shown on the X-axis to the price of the good shown on the Y-axis. 2

- (b) (i) The cost of $4X + 5Y = (4 \times 4) + (5 \times 2) = \text{Rs. } 26$ 1

Since the income is only Rs. 24 the consumer cannot afford the bundle.

- (ii) When the consumer is in equilibrium, 2

$$MRS = P_x/P_y$$

Substituting $P_x = 4$, and $P_y = 2$,

$$MRS = 4/2 = 2$$

OR

- (a) The indifference curve being convex to origin means that Marginal Rate of Substitution (MRS) between the two goods continuously falls. Let the two goods be X and Y shown on the X-axis and the Y-axis respectively. It means that the consumer is willing to sacrifice less and less of Y each time he obtains one more unit of X. Sacrifice of Y is the price the consumer is willing to pay for obtaining X. 3

As he obtains more and more units of X marginal utility of X declines and therefore he is willing to sacrifice only less of Y.

- (b) Any point on a higher indifference curve means more of both the goods or the same quantity of one good and more quantity of the other good. The indifference curve analysis is based on the assumption that preference are monotonic which means that consumption of more goods means more satisfaction. Therefore, a higher indifference curve represents higher level of satisfaction. 3

Section B

17. Foreign exchange rate is the price of one unit of foreign currency in terms of the domestic currency. 1
18. Statutory Liquidity Ratio is the ratio of demand deposits of a commercial bank which it has to keep in the form of special liquid assets. 1
19. Primary deficit = Fiscal deficit – interest payments. 1
- Balance of trade is the difference between value of exports of goods and 1
20. imports of goods.
21. Exports of goods; exports of services; remittances into a country; borrowings from abroad, foreign direct investment; etc. ½x2

(Any two)

22. An economy is in equilibrium when aggregate demand and aggregate supply are equal. Aggregate demand may not be sufficient for aggregate supply at full employment. This means aggregate demand is only sufficient to support aggregate supply at less than full employment level. So the two would be equal at less than full employment. Thus the economy can be in equilibrium when there is unemployment in the economy. 3
23. (a) Multiplier = $\frac{\Delta Y}{\Delta I} = \frac{10,000}{1,000} = 10$ 1
- (b) Multiplier = $\frac{1}{1-MPC}$ 1
- 10 = $\frac{1}{1-MPC}$ ½
- MPC = 0.9 ½
24. Double coincidence of wants means that what one person wants to sell and buy must coincide with what some other person wants to buy and sell. It was very difficult that such coincidence of wants to take place. Money has removed 3

this difficulty. You can sell your goods for money to whosoever wants it and with this money you can buy what you want from whosoever wants to sell that.

25. To reduce inequalities in income and wealth government can use a progressive taxation policy. The government puts a higher rate of taxation on rich people and lower rates of taxation on lower income groups. This reduces disparities in income and wealth. 1½

The government can provide subsidies and other amenities to people whose income levels are low. This increases their disposable income and thus reduces the inequalities. 1½

OR

There are certain goods and services in which the private sector shows little interest due to huge investment required and lower profits, like sanitation, roads, parks, etc. Government can undertake the production of these goods and services. Alternatively, it can encourage private sector by giving tax concessions and subsidies.

26. Gross fixed capital formation = (v) – (i) – (ii) – (iii) – (vii) + (vi) 1½

$$= 2500 - 1000 - 500 - (-) 50 - 200 + 300$$
 ½
 = Rs 1150 crores.

27. Revenue expenditure is the expenditure which does not lead to any creation of assets or reduction in liabilities. 2
 (1)

Examples: Expenditure on salaries, interest etc. (any two) ½ x2 (1)

Capital expenditure is the expenditure that leads to creation of assets or leads to production in liabilities. (1)

Examples: Expenditure on buildings, shares etc. (any two) 2

½ x2

28. The Central Bank acts as a banker to the Central government and state governments. It carries out all the banking business of the government. It accepts receipts and makes payments for the government. It provides short term credit to the government. It also advises the government on banking and financial matters. 4

OR

Buying and selling of government securities in the open market by the Central Bank is called open market operations. When Central bank buys securities it makes payments to the sellers who deposit the same in commercial banks. This 4

raises deposits with them and thus directly increases banks' ability to give credit. When central bank sells securities the buyers make payments by cheques. As a result the deposits with the commercial banks decline, reducing banks' ability to give credit.

29. The transactions recorded in the balance of payments accounts can be categorized as autonomous transactions and accommodating transactions. 4
Autonomous transactions are transactions done for some economic consideration such as profit. When the total inflows on account of autonomous transactions is less than total outflows on account of such transactions, there is a deficit in the balance of payments account.
30. (a) True. Capital formation is measured over a period of time. 1½
(b) False. It depends on the use of bread. When it is purchased by a household, 1½
it is a consumer good. If it is purchased by restaurant, it is a producer (intermediate) good.
(c) False. Nominal GDP can be less than real GDP, if prices in the current year 1½
are less than the prices in the base year.
(d) False. Gross domestic capital formation can be less than gross fixed capital 1½
formation if change in stock is negative.
31. $C = 100 + 0.5Y$
Let us take Y as 400, 500, 600
When Y = 400
 $C = 100 + 0.5 \times 400 = 300$
When Y = 500
 $C = 100 + 0.5 \times 500 = 350$
When Y = 600
 $C = 100 + 0.5 \times 600 = 400$
- Thus :
- | Y | C | APC = $\frac{C}{Y}$ |
|-----|-----|---------------------|
| 400 | 300 | 0.75 |
| 500 | 350 | 0.7 |
| 600 | 400 | 0.67 |
- Thus as income increases APC falls. 1

OR

$$S = -200 + 0.25Y$$

- (a) At equilibrium planned savings are equal to planned investment. Equilibrium level of income is 2,000. Substituting the value of Y in the savings function, we get; 1½

$$S = -200 + 0.25 \times 2000$$

$$S = 300$$

$$\therefore I = 300$$

Thus, investment expenditure at equilibrium level of income is 300.

1½

- (b) Consumption + Savings = Income
Autonomous consumption means the level of consumption expenditure when income is zero. 1

$$\text{When } y = 0, \quad \text{Saving} = -200$$

$$\text{So autonomous consumption} = 200$$

1

- (c) Investment multiplier = $1/\text{MPS}$

From the savings function, we know that $\text{MPS} = 0.25$

$$\text{Investment multiplier} = 1/0.25 = 4 \quad 1$$

32. GNP at market price = (ix) + (iii) - (xi) 1
 $= 1000 + 50 - 20$ 1½
 $= \text{Rs } 1030 \text{ crores}$ ½

$$\begin{aligned} \text{Personal disposable income} &= (\text{xiv}) - (\text{v}) - (\text{viii}) - (\text{iv}) - (\text{xiii}) && 1 \\ &= 700 - 40 - 90 - 110 - 30 && 1½ \\ &= \text{Rs } 430 \text{ crores} && ½ \end{aligned}$$

Sample Question Paper II
Subject: Economics
Class – XII

Max. Marks: 100

Time : 3 hrs.

Question wise Analysis

S. No. of Questions	Unit Number	Marks Allotted	Estimated Time (Min)	Estimated difficulty level
1	2	1	1½	A
2	3	1	1½	A
3	3	1	1½	B
4	3	1	1½	A
5	4	1	1½	A
6	2	3	5	B
7	3	3	5	A
8	3	3	5	B
9	3	3	5	A
10	4	3	5	B
11	2	4	6	A
12	1	4	6	A
13	2	4	6	C
14	3	6	10	B
15	4	6	10	B
16	2	6	10	C
17	10	1	1½	A
18	7	1	1½	A
19	9	1	1½	A
20	10	1	1½	A
21	10	1	1½	A
22	8	3	5	B
23	8	3	5	B
24	7	3	5	A
25	9	3	5	B
26	6	3	5	B
27	9	4	6	B
28	7	4	6	A
29	10	4	6	C
30	6	6	10	B
31	8	6	10	C
32	6	6	10	B

Reference for difficulty level

A	Easy	30%	30 marks
B	Average	50%	50 marks
C	Difficult	20%	20 marks