***Practice paper-1***

Class – XII

Subject – Economics

Pre-Board –Jan. 2017

Time Allowed :- 3 Hours M.M =100

Instructions :-

1. All question in both sections are compulsory. However, there is internal choice in some questions.
2. Marks for questions are indicated against each question.
3. Questions No.1-5 and 16-20 are very short answer questions carrying 1 mark each. They are required to be answered in one sentence.
4. Questions No.6-8 and 21-23 are short answer questions carrying 3 marks each. Answer to them should not normally exceed 60 words each.
5. Questions No.9-11 and 24-26 are also short answer questions carrying 4 marks each. Answers to them should not normally exceed 70 words each.
6. Question No.12-15 and 27-30 are long answer questions carrying 6 marks each. Answers to them should not normally exceed 100 words each.
7. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

**Section – A**

1. Give meaning of “Change in quantity Supplied”. (1)
2. Define Normative Economics. (1)
3. What will be the impact of “Clean India Mission” (Swachh Bharat Abhiyan) on the production possibility curve of the economy? (1)
4. Price elasticity of supply of a commodity is 0.8. Is the supply elastic or inelastic and Why?(1)
5. In which market AR =MR? (1)
6. Can you think of any commodity on which price ceiling is imposed in India? What may be the consequence of price ceiling? (3)
7. State the relation between total cost and marginal cost. Or

State the behaviour of marginal physical product, under return to a factor. (3)

1. Why are the firms said to be interdependent in an oligopoly market? Explain. (3)
2. Explain the central problem “for whom to produce.” (4)
3. Identify which of the following is not true for the Indifference Curves. Give valid reasons for choice of your answer :
4. Lower indifference curve represents lower level of satisfaction.
5. Two regular convex to origin indifference curves can intersect each other.
6. Indifference curve must be convex to origin at the point of tangency with the budget line at the consumer’s equilibrium.
7. Indifference curves are drawn under the ordinal approach to consumer equilibrium.

Or

A consumer has total money income of Rs.250 to be spent on two goods X and Y with prices of Rs. 25 and Rs.10 per unit respectively. On the basis of the information given, answer the following questions:

1. Give the equation of the budget line for the consumer.
2. What is the value of slope of the budget line?
3. How many units can the consumer buy if he is to spend all his money income on good X ?
4. How does the budget line change if there is a fall in price of good Y ? (4)
5. State the behaviour of marginal product in the law of variable proportions. Explain the causes of this behaviour. (4)
6. What happens to the demand of a good when consumer’s income changes ? Explain. (6)
7. A consumer consumes only two goods X and Y both priced at Rs.3 per unit. If the consumer chooses a combination of these two goods with Marginal Rate of Substitution equal to 3, is the consumer in equilibrium? Give reasons. What will a rational consumer do in this situation? Explain. (6)
8. From the following information about a firm, find the firm’s equilibrium output in term of marginal cost and marginal revenue. Give reasons. Also calculate profit at this output. (6)

|  |  |  |
| --- | --- | --- |
| Output (Units) | Total Revenue (Rs.) | Total Cost (Rs.) |
| 1 | 8 | 10 |
| 2 | 16 | 18 |
| 3 | 24 | 23 |
| 4 | 32 | 31 |
| 5 | 40 | 41 |

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OR

(a)Total revenue is Rs.400 when the price of the commodity is Rs.2 per unit. When price rises to Rs. 3 per unit,the quantity supplied is 300 units. Calculate the price elasticity of supply.

(b) How could the supply of goods whose consumption is injurious to health like cigarette or liquor

Be decreased so that maximum social welfare is achieved? (4,2)

1. What is ‘excess demand’ for a good in a market? Explain its chain of effects on the market for that good. Use diagram. (6)

**Section - B**

1. In case of deficient demand, reverse repo rate should be --------------.
2. When aggregate demand is greater than aggregate supply; production in the economy should be --------------.
3. Define govt. Budget.
4. What is involuntary unemployment ?
5. What are demand deposits? (1\*5 = 5)
6. Define externalities. Give an example of negative externality. (3)
7. Explain the significance of “store of value” function of money.

Or

Explain the significance of “medium of exchange” function of money. (3)

1. Define “capital account” of balance of payments. Explain its components in brief. (3)
2. Recently govt. Of India has doubled the import duty on gold. What impact is it likely to have on foreign exchange rate and how? (4)
3. Define money supply and explain its components.

Or

Explain the ‘lender of last resort’ function of central bank. (4)

1. Calculate investment expenditure from the following data about an economy which is in equilibrium :

National income = 1000

Marginal propensity to save = 0.25

Autonomous consumption expenditure = 200 (4)

1. Compute (a) National Income and (b) Personal Disposable Income. (6)

|  |  |  |
| --- | --- | --- |
| S. No. | Items | Amount (in Rs. Crores) |
| i) | Mixed Income of Self Employed | 2,500 |
| ii) | Net Factor Income from Abroad | (-) 50 |
| iii) | Rent | 500 |
| iv) | Private Income | 4,000 |
| v) | Consumption of Fixed Capital | 400 |
| vi) | Corporation Tax | 700 |
| vii) | Profits | 300 |
| viii) | Net Retained Earnings of Private Enterprises | 500 |
| ix) | Compensation of Employees | 1,600 |
| x) | Net Indirect Taxes | 500 |
| xi) | Net current Transfers from Abroad | 150 |
| xii) | Net Exports | (-) 40 |
| xiii) | Interest | 500 |
| xiv) | Direct Taxes Paid by Households | 300 |

1. Giving reason explain how should be following be treated in estimating gross domestic product at market price ? (6)
2. Fees to a mechanic paid by a firm.
3. Interest paid by an individual on a car loan taken from a bank.
4. Expenditure on purchasing a car for use by a firm.
5. In an economy, C =500+0.9Y and I = 1000. Calculate the following: (6)
6. Equilibrium level of income.
7. Consumption expenditure at equilibrium level of income.

Or

In an economy, everytime income rises, 50% of the rise in income is spent on consumption. Now suppose in the same economy, investment rises by Rs.500 crore. Calculate the following:

1. Change in income.
2. Change in saving.
3. A) “Fiscal deficit is necessarily inflationary in nature”. Do you agree? Support your answer with valid reasons.

B) Elaborate ‘Economic Growth’ as an objective of government budget. (3+3)

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