***Practice Paper-2***

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. Why is the study of the problem of unemployment in India considered as a macro economic problem? (1)
2. What is meant by Economizing the use of resourses? (1)
3. What do you mean by inferior goods? (1)
4. Define Budget Line. (1)
5. What is the Marginal Product of an input? (1)
6. State giving reasons,Whether the following statements are true or false:
7. When there are diminishing returns to a factor,total product always decreases.
8. Total product will increase only when marginal product increases.

OR

 Explain the relationship between Marginal Revenue and Average Revenue. (3)

1. Explain the implications of “Freedom of entry and exit of the firms” under perfect competition. (3)
2. Show the determination of equilibrium price with the help of a schedule. (3)
3. Explain the meaning of Opportunity cost with the help of production possibility

Schedule. (4)

1. Price elasticity of demand of a good is (-)2. The consumer buys a certain quantity

 Of this good at a price of Rs.8 per unit. When the price falls,he buys 50% more

 Quantity. What is the new price?

 OR

Distinguish between Decrease in demand & Decrease in quantity demanded. (4)

1. With the help of total utility schedule,explain the law of Diminishing Marginal

Utility. (4)

1. How a consumer will reach equilibrium, if the ratio of marginal utility of X to

 its price is greater than that of Y. Use diagram to explain.

 OR

 How a consumer will reach equilibrium point, if market rate of exchange is

 not equal to MRS? (6)

1. Complete the following table:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Output(units) | Marginal cost(Rs) | Average Variable cost(Rs) | Average Fixed Cost(Rs) | Average Cost(Rs) |
| 1 | - | - | - | 140 |
| 2 | - | 45 | - | - |
| 3 | 45 | - | 30 | - |
| 4 | - | 48 | 22.5 | - |
| 5 | - | 52 | 18 | - |

 (6)

 14) a) What condition must hold if a profit maximizing firm produces positive output

 in a competitive market?

1. Explain how technological progress is a determinant of supply of a good

by a firm. (6)

 15)How will an increase in the income of the buyers of an inferior good affect its

 Equilibrium price & equilibrium quantity? Explain with the help of a diagram. (6)

 **Section -B**

 16) What is Money Supply? (1)

 17) Define Marginal Propensity to consume. (1)

 18) What is excess demand? (1)

 19) Define Primary Deficit. (1)

 20) When will the balance of trade show a deficit? (1)

 21) Distinguish between Stock and flow. In the case of net investment and capital,

 Which is a stock and which is a flow? (3)

 22) Explain the problem of “Double coincidence of wants” faced under barter system.

 How money has solved it?

 OR

 Explain the significance of “Store of value” function of money. (3)

 23) How can budgetry policy be used to reduce inequality of income? (3)

 24) With the help of a numerical example, explain the credit creation role of

 Commercial banks. (4)

 25) In an economy, the marginal propensity to consume is 0.75. Investment

 Expenditure economy in the economy increased by Rs. 75 crore. Calculate the

 Total increase in National Income.

 OR

 Can there be unemployment in the economy at equilibrium level of income?

 Explain. (4)

26) Is the following, a revenue expenditure or capital expenditure in the context of

 Govt. Budget? Give reason:

1. Expenditure on collection of taxes
2. Expenditure on purchasing computers (4)

27) How will you treat the following while estimating national income of India?

 a) Dividend received by an Indian from his investment in shares of a

 foreign company.

 b)Money received by a family in India from relatives working abroad.

 c)Interest received on loans given to a friend for purchasing a car. (6)

 28) Calculate (a) Net national disposable income and (b) Personal income from

 The following data:

|  |  |  |
| --- | --- | --- |
| S.N. |  Contents | Rs.(crore) |
| 1 | Personal tax | 212 |
| 2 | Net national product at factor cost | 2500 |
| 3 | Net indirect taxes | 180 |
| 4 | Domestic product accuring to govt. | 500 |
| 5 | Retained earings of pvt. Corporations | 80 |
| 6 | Net factor income from abroad | 23 |
| 7 | National debt interest | 100 |
| 8 | Net current transfers from abroad | 20 |
| 9 | Corporation tax | 70 |
| 10 | Current transfers from govt. | 30 |

 OR

 Explain the problem of double counting in the estimation of National

 Income with the help of an illustration. (6)

 29) What is Deficient Demand in Macro economics. Also explain the

 Role of bank rate in correcting it. (6)

 30) Give the meaning of Foreign exchange and foreign exchange rate. Giving reasons,

 Explain the relation between foreign exchange rate and demand for it (6)

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