



Sample Paper 1
Section A

MM :100

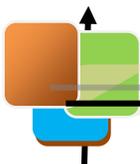
Time : 3 Hrs

Instructions

- All questions in both the sections are compulsory.
- Questions 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.
- Questions Nos 6-10 and 22-26 are short answer questions carrying 3 marks each. Answer to them should not normally exceed 60 words each.
- Questions Nos 11-13 and 27-29 are short answer questions carrying 4 marks each. Answer to them should not normally exceed 70 words each.
- Questions Nos 14-16 and 30-32 are short answer questions carrying 6 marks each. Answer to them should not normally exceed 100 words each.
- Answer should be brief and to the point and the above wordlimit be adhered to as far as possible
- Questions Nos 5 and 29 are value based

Section 1: Micro Economics

1. Give two reasons behind central problems of an economy.
2. Define elastic demand.
3. What happens to equilibrium quantity of a commodity if there is equal decrease in its demand and equal increase in its supply?
4. In which market a firm have indeterminate AR Curve?
5. Demand for petrol has increased. However supply cannot be increased due to heavy import cost. suggest how the demand for petrol can be decreased?
Hint- a. By promoting other alternative / non conventional resources i.e. CNG
b. By using more and more public transport
6. Distinguish between decrease in resources and unemployment of resources. Give one example of each. Use PPC.
7. Does demand curve for a commodity always downward sloping?
Or
If price of one commodity increase how it will affect the demand for its related goods.
8. Show the affect of following factors on elasticity of demand for a commodity.
 - a. nature of commodity
 - b. Habit of consumer
 - c. Price level
9. When the price of a commodity falls by Rs. 2 per unit, its quantity demanded increase by 10 units. Its Elasticity is (-)1. Calculate its quantity demanded at the price before change which was Rs. 10 per unit.
10. State whether the following statements are T/F. Give reason
 1. The difference between TC and TVC remain same
 2. Summation of MC=TC
 3. MP intersect AP at its max.





11. Why entry in oligopoly is difficult? In what form oligopoly put restrictions on entry of new firms in competition.
12. A consumer is consuming two good x and y in her given income and given price of both goods. If price of x comm.falls explain the reaction of buyer.
13. Define MC how it is related with AVC?

Or

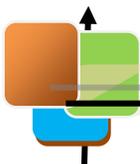
What is the shape of TVC ?Why TVC looks like so?

14. A. What will be the elasticity of supply at a point on straight line supply curve.
B. How does cost saving technology will affect the supply curve of a commodity?
15. Why consumer equilibrium by IC approach is determined on budget line. What would happen if $MRS_{xy} \neq P_x/P_y$.
16. Explain the short run behavior of MPP. Use schedule and diag. which is the best state and why?
Or
How does o/p determined by a firm under imperfect market by using MR-MC approach.
Why should MC be rising?

Section B : Macro economics

17. Define money supply
18. What is min value of MPS?
19. Define voluntary unemployment?
20. What do you mean by foreign exchange?
21. What do you mean by autonomous items?
22. from the following data calculate GNDI.

Item	Rs. (CR.)
GDPMP	4680
Consumption of fixed cap	600
Factor income from Ab	(-) 200
Excise duty	50
Subsidies	20
Current transfer from Row	120
23. Explain how externalities are limitation in taking GDP as an Index of welfare?
Or
Giving reason classify the following into final good and intermediate goods
 - a. Car purchased by taxi driver
 - b. Machines installed by a factory
 - c. Jeans & T shirt purchased by a retailer
24. Explain “ Unit of account function of money?
25. How reserve ratio are used to control the flow of credit in an economy?
26. Why supply of forex increase with rise in exchange rate?
27. a) If MPC is 0 what will be the value of K.
b) Can APC be greater than 1.
c). MPC can be greater than 1 in specific circumstances?
28. from the following data related to govt. budget? Find out





a) Revenue deficit	b) fiscal deficit
Item	Rs. Cr.
Tax revenue	400
Debt	120
Interest payment	50
Capital receipts	100
RE	60
Receipts from Tax	40

Or

By giving reason classify the followings into direct tax and indirect tax

- a. entertainment tax b. Corporate profit tax
- c. VAT d. Sales tax

29. In situation of Revenue deficit. If govt. is not able to raise taxes or reduces. Public expenditure. What measures will you suggest to cope up with this situation
30. In an economy $S = -50 + 0.5y$ is the saving function (Where S= saving and Y = National income) and investment expenditure is 7000. Calculate Eqm level of national income. Consumption expenditure at eqm level of national income.

Or

Given consumption function $C = 100 + .75Y$ C= Consumption expenditure and Y = national income . Calculate:-

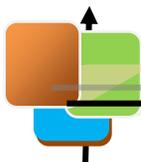
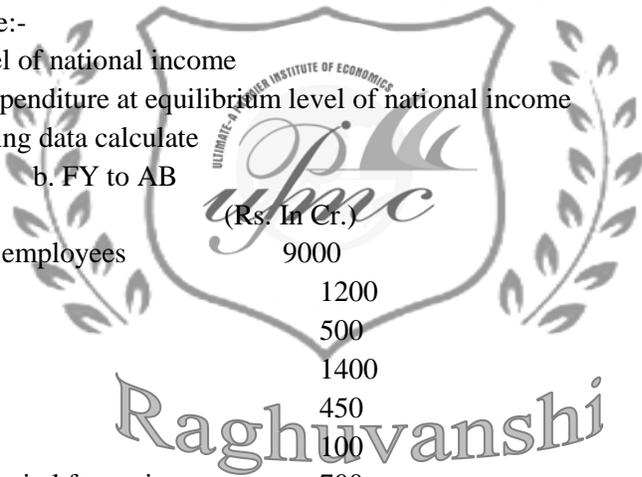
- a) Equilibrium level of national income
- b) Consumption expenditure at equilibrium level of national income

31. . From the following data calculate

- a. GDPFC b. FY to AB

Items	(Rs. In Cr.)
Compensation of employees	9000
Profits	1200
Dividends	500
GND _{MP}	1400
Rent	450
Interest	100
Gross domestic capital formation	700
Net fixed capital formation	200
Change in stock	40
Factor income form abroad	60
Net indirect taxes	120

32. Which of the following items is a part of compensation of employees? Give reason
- a. medical expenses of a firm on treatment of employee
 - b. Commission received on the sale of second hand good
 - c. Retirement pension





Sample paper 2

- Questions Nos 21 and 29 are value based

Section1 – Micro Economics

1. Define Scarcity.
2. What happen to TE if Ed is less than unitary and price falls.
3. Define excess supply.
4. What do you mean by a good being a substitute of other good?
5. Give two examples of oligopoly.
6. Massive unemployment shifts PPC to the left” Defend or refute. Explain.
7. Explain the relationship b/w income of a buyer and her dd for a commodity.

Or

Define MRS xy. Why it diminishes?

8. Draw downward sloped dd curve touching both axis mark any five point on it and compare the Ed on these points .
9. The price elasticity of demand for good X is known to be twice that of good Y. Price X falls by 5% while that of good Y. rises by 5% what are the %age changes in the quantities of X & Y?
10. Can AVC falls when me is rising. Use diagram.
11. Distinguish b/w decrease in supply and decrease in qty supplied .
12. “ Higher IC shows higher utility” Explain.
13. How TVC curve is derived from MC curve

Or

AFC of producing 3 units is Rs 10 calculate TC, TVC, AC by using following information.

O/P:	1	2	3	4	5	6	7
MC:	110	97	63	17	25	40	55

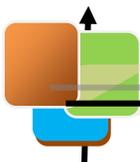
14. A. In order to determine producer equilibrium Why MC should be rising
B. Explain the nature of AR- MR curve into imperfect competition.
15. a. Distinguish between monopoly and oligopoly market.
b. In short run when firm changes one factor o/p keeping other as fixed. Why MP diminishes
16. “ Equilibrium quantity may or may not change “ Explain by using schedule.

or

If Income of a buyer increase how does equilibrium price and qty of normal goods will be affected. Give Chain affect

Section B:Macro Economics

17. Give 2 examples of components which are not includes in money supply.
18. Define investment demand function.
19. If APC is .75 and income is Rs. 1000 cr. Calculate level of consumption.
20. If exchange rate b/w Rs. and pound changes from Rs. 40= 1 £ to Rs. 35 = £1. Is Indian currency depreciated or appreciated.





xi) Transfer payment	20
xii) personal direct taxes	50

Sample paper 3

- Questions Nos 21 and 29 are value based

Section1 – Micro Economics

1. In case of strike of labour PPC will shift to the left T/F.
2. What will be elasticity of supply of a supply curve passing through the origin having and angle of 60 degree.
3. Define Giffen goods.
4. What do you mean by production function?
5. Define price rigidity.
6. Why PPC is concave to the origin?
7. Why people purchase more at same price?

Or

A consumer wants to consume two goods. The prices of the two goods are Rs 4 and Rs 5 respectively. The consumer's income is Rs 20.

(i) Write down the equation of the budget line.

(ii) How much of good 1 can the consumer consume if she spends her entire income on that good?

(iii) What is the slope of the budget line?

8. Distinguish b/w cardinal approach and ordinal approach.
9. A seller of potatoes sells 80kg. a day with the price of potatoes is Rs. 4 per kg. The elasticity of supply of potatoes is known to be 2. How much qty will this seller supply when the price rises by Rs. 5 per kg.?
10. Define explicit costs. From the followings identify which is explicit cost or which is implicit cost. (a) Rent for shed (b) Involvement of family members in production
11. How does change in excise duty affects the supply curve of a firm.
12. In his given income and given price of a commodity how many units of that commodity a consumer will purchase?
13. Why the difference b/w AC and AVC goes on diminishing. Can they join with each other?

or

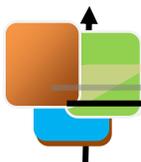
Why SAC is U Shaped.

14. A. with increase in an extra unit of variable I/P in comparison of fixed factors ultimately a stage comes when MP diminishes. Give reason.
B. Explain the nature of AR curves into different market.

Or

Giving reason. State whether the following statements are true or false.

1. When TP is increasing MP always increases.
2. Min. of AVC always lies, on the left of min of ATC
3. If TR is constant then AR Curve have -ve slope.

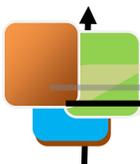




4. If MR is increasing TR will increase at diminishing rate.
15. Explain the implications of the following features of market structure
 - Free entry and exit if firms under perfect competition.
 - Heavy interdependence among firms under oligopoly.
16. If dd for a commodity increase. Explain its chain affect on equilibrium price and qty. Use schedule.

Section B.:Macro Economics

17. Define legal money.
18. What do you mean by ex anti savings
19. If MPC is .50 what will be the value of investment multiplier.
20. Define frictional unemployment.
21. If BOT of India is in deficit with one country, It means it is in deficit with all trade partners”Do you agree with this statement?
22. There are 3 industries in economy A, B, & C. Compute B’s sale to C if profits of B and C are equal.
 - i) A sells his O/P to B for Rs. 600 and distributes his value added b/w profit and wages equally.
 - ii) B Sells his total product to C and C sells his total product to final consumers.
 - iii) B’s total wage payment is equal to A’s wage payment
 - iv) Total wages are equal to the total profits in the economy
 - v) National product is Rs. 1400
23. Explain how does non monetary transactions are limitations in taking GDP as on Index of welfare .
Or
Why change in inventories are added in capital formation?
24. Distinguish b/w legal money and demand deposits.
25. Explain the “Bank of government” function of central bank.
26. “BOP is always balanced”. Justify
27. If level of investment is increased in an economy how it will affect equilibrium O/P & AD?
28. What are the basis used to classify govt. expenditure into Revenue expenditure and capital expenditure.
Or
Explain the “ growth objective” of govt. budget.
29. The market price of US dollar has increased considerably leading to rise in price of the imports of essential goods. What can central bank do to ease the situation?
30. a. Define GDFC. State its components.
b. Equilibrium of National income always strike at full employment level” Defend or refute
Justify
or
How does equilibrium of NY is attained by C+I approach. If this equilibrium is below full employment, how much additional investment is required to attain full employment.
31. By giving reason state whether the followings will be include in NY or not.
 - a. A part of wheat which is produced by farmer is consumed by itself.
 - b. Maintenance of machines by a firm
 - c. Medical allowance given by employer to its employees.





32. Calculate 'National Income' and 'private income from the following

Items	Rs (in Cr)
(a) Net current transfers to ROW	10
(b) Private final consumption exp.	600
(c) National debt interest	15
(d) Net exports	(-)20
(e) Current transfers from Govt.	5
(f) NDPFC occurring to govt.	25
(g) Govt. final consumption exp.	100
(h) Net indirect tax	30
(l) Net domestic capital formation	70
(m) Net income from abroad	10

Numerical Section

Numericals on new pattern

1. Calculate explicit and Implicit cos with the help of following information

Item	Rs
Estimated value of owners managerial services	4000
Wages to labour	2000
own savings used in investment (@10%)	20000
Borrowings (@10%)	10000
Estimated rent	3000

2. When a company sells three machines, its total revenue is Rs 60,000. When it sells 2 machines more, its total revenue goes upto Rs. 78000. When it sell 6th machine the total revenue goes upto Rs 93000. Calculate the value of 6th machine.

3. A shopkeeper sells 5 toys at the average price of Rs 20 each. When he sells the 6th toy, the TR goes up to Rs 130. Find the price of the 6th toy

4. A manufacturer manufactures 2000 pens yearly and sells them at the rate of Rs5 per pen. Following expenses are incurred by him in the production of pens---

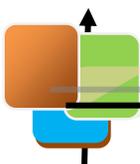
Wages to laboures	Rs 5000
Interest on capital	Rs 3000
Imputed rent	Rs 2000

Find out the profit of manufacturer

5. 12. Find out (a) explicit cost and (b) implicit cost from the following:

(Rs. Thousand)

(i) Investment in fixed assets	2000
(ii) Borrowings at 12% interest per annum.	1500
(iii) Wages paid during the year	120
(iv) Annual rental value of the owner's factory building	180
(v) Annual depreciation	100





(vi) Estimated annual value of the management services of the owner 240

Sample Paper – I

- 1. When the price is Rs. 5/unit of commodity the total revenue is Rs. 800. When its price rises by 20 percent, TR increases by Rs. 400. Calculate its price elasticity of supply.
2. When the price of a commodity falls by Rs. 2 per unit, its quantity demanded increase by 10 units. Its Ed is (-)1. Calculate its quantity demanded at the price before change which was Rs. 10 per unit.

3. Determine Ed using percentage method:

Table with 2 columns: Quantity (20, 30) and Total outlay (100, 120)

4. Calculate MC and AVC at each level

Table with 2 rows: O/P (0-4) and TC(Rs.) (100, 160, 212, 280, 356)

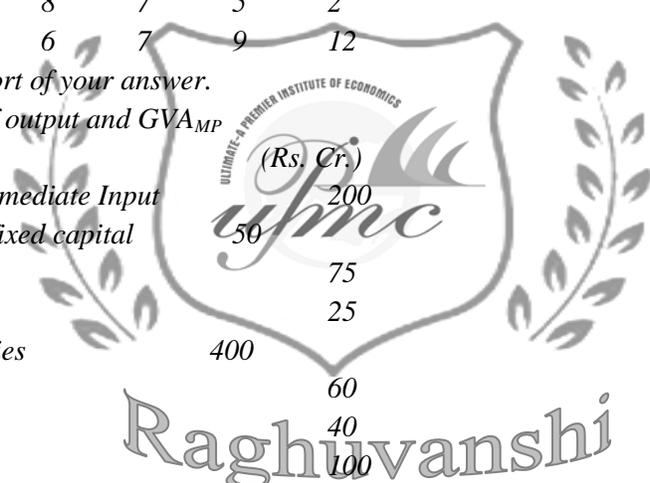
5. Find out the maximum profit situation of a producer by comparing his MC and MR, in the following table

Table with 2 rows: O/P (1-6) and MR(Rs.) (10, 9, 8, 7, 5, 2); MC(Rs.) (4, 5, 6, 7, 9, 12)

Give reason in support of your answer.

6. Calculate value of output and GVA_MP

Table with 2 columns: Items and (Rs. Cr.) values for various economic items like Purchase of intermediate Input, Consumption of fixed capital, etc.



7. Let the demand function Q= 10-2P. Find Ed at a price of 5/2

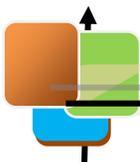
8. Find the maximum profit Situation from the table

Table with 2 rows: Output (1-6) and TR (50, 60, 68, 70, 75, 80); TC (60, 65, 68, 60, 75, 95)

- (a) O/P level showing loss (b) O/P level showing max profit (c) O/P level showing break-even point

Sample Paper-II

1. Given below is the cost schedule of a firm. Its AFC is Rs. 20 when it produces 8 units.





O/P units	1	2	3
AVC	30	28	32

2. Find out the maximum profit situation of producer by comparing TC & TR:-

O/P	1	2	3	4	5
AR	10	9	8	7	6
AC	10	7	6	6	7

3. An increase in investment in a country leads to increase in NY by Rs. 200Cr. If MPC is .75, Calculate the following

- a. Change in investment
- b. Change in C

4. Given MPC= 0.9 and increase in investment equal to Rs. 100. Calculate the following

- a. Value of multiplier
- b. Change in savings
- c. Change in income

5. Let Slope of demand curve = -0.5, calculate Ed when initial price is Rs. 20 per unit and initial quantity is 50 units of the commodity.

6. A consumer buys 160 units of a goods at a price Rs. 8/unit. Price falls to Rs. 6/unit. How much quantity will the consumer buy at the new price if Ed is (-) 2?

7. If MPC is 0.9, what is the value of multiplier? How much investment is needed to increase NY by Rs. 5000 Cr.?

8. In an economy, $C = 300 + 0.5 Y$ and $I = Rs. 600$. Calculate the following.

- a. Equilibrium level of income
- b. Consumption expenditure at equal level of income.

Sample Paper – III

1. From the following data calculate

a. GDPFC

b. FY to AB

Items

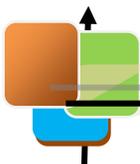
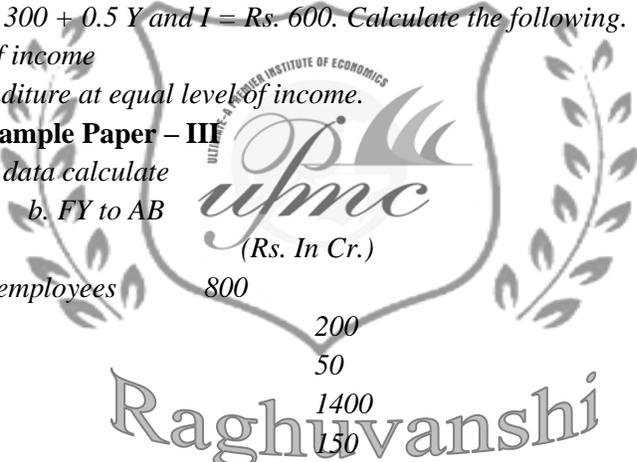
(a) Compensation of employees	800
(b) Profits	200
(c) Dividends	50
(d) GNDMP	1400
(e) Rent	150
(f) Interest	100
(g) Gross domestic capital formation	300
(h) Net fixed capital formation	200
(i) Change in stock	50
(j) Factor income form abroad	60
(k) Net indirect taxes	120

2. Calculate NNP_{FC} and gross National disposable income fro the following-

Items

(a) Savings of non departmental enterprise	50
(b) Income from property & entrepreneur	70

Ship occuring to gov. depart.





(c) Personal tax	90
(d) National debt interest	20
(e) Retained earning of Pvt. Corpt. Sector	10
(f) Current transfer payments by govt.	40
(g) Consumption of fixed capital	60
(h) Corporation tax	30
(i) Net indirect taxes	80
(j) Net current transfers from Row	(-) 10
(k) Personal disposable income	1000

3. In an economy 75 percent of increase in income is spent on consumption. Investment is increase by Rs. 1000 crores. Calculate total increase in income

Total increase in consumption exp.

4. Total revenue is Rs. 400 when the price of the commodity is Rs. 2/unit. When price rises to rs. 3/unit, the quantity, supplied is 300 units. Calculate ES?

5. When price of a commodity falls by Rs. 1/unit its quantity demanded rises by 3 units. Its price elasticity of dd is (-2). Calculate its quantity demanded if the price before the changes was Rs. 10/unit.

6. From the following schedule find out the level of o/pat which the producer is in equilibrium, using MC and MR approach. Give reasons for your answer.

Price	8	7	6	5	4
O/P1	2	3	4	5	
TC (Rs.)	6	11	15	18	23

7. In an economy the eqm of income is Rs. 12,000 cr. The ratio of MPC and MPS is 3:1. Calculate additional investment needed to reach a new equilibrium level of income of Rs. 20,000 cr.

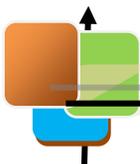
8. Calculate (a) GDPMP (b) FY from AB:-

Item	Rs
(a) Profits	500
(b) Exports	40
(c) Compensation of employees	1500
(d) GNPFC	2800
(e) Net current transfers from ROW	90
(f) Rent	300
(g) Interest	400
(h) Factor income to abroad	120
(i) Net indirect taxes	250
(j) Net domestic capital formation	650
(k) Gross fixed capital formation	700
(l) Change in stock	50

Sample Paper IV

1. When the price of a commodity rises from Rs. 4/unit to Rs. 5/unit, TR increases from Rs. 600 to Rs. 750. Calculate ES.

2. Total fixed cost of a firm is Rs. 60. Given below its AVC Schedule. Calculate its MC.





ATC at each level of output.

Output (units)	1	2	3
AVC(Rs.)	20	16	18

3. The quantity demanded of a commodity falls by 5 units when its prices rises by Rs. 1 per unit. Its price elasticity of demand is (-) 1.5. Calculate the price before change, if at this price quantity demanded was 60 units

4. From the following schedule find out the level of output at which the producer is in equilibrium. Give reasons for your answer. (use TR and TC approach)

O/P1	2	3	4	5	
MR8	6	4	2	0	
TC	6	11	15	18	23

5. Calculate (a) GDPFC and (b) factor income to abroad from the following data:-

Item	Rs
(a) GNPFC	3750
(b) Compensation of Employess	2000
(c) Net Exports	(-) 50
(d) Profits	700
(e) Net domestic capital formation	1000
(f) Opening stock	150
(g) Closing stock	200
(h) Gross fixed capital formation	1000
(i) Interest	600
(j) Rent	400
(k) Factor income from abroad	20

6. In an economy the consumption function is $C = 500 + 0.75Y$ where C is consumption expenditure and Y is income. Calculate the _ level of income and consumption exp. When investment expenditure is Rs. 5000.

7. ED of a good is (-) 1. The consumer buys 50 units of that good when price is Rs. 2/unit. How many units will the consumer buy if the price rise to Rs. 4/unit? Answer this question with the help of total expenditure method of determining Ed

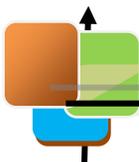
8. A producer supplies 200 units of a good at Rs. 10/unit ES is 2. How many units will the producer will supply at Rs. 11/unit

9. Calculate private income:-

Items	Rs
(a) National debt interest	10
(b) Personal disposable income	150
(c) Personal taxes	50
(d) Corporate profit taxes	25
(e) Retained earnings of put corporations	5

[Ans: Rs. 230 Crore]

Sample Paper – V





1. Complete the following table :-

O/P(Rs.)	1	2	3	4	5
AVC(Rs.)	-	18	-	20	22
TC(Rs.)	60	-	-	120	-
MC(Rs.)	20	-	18	-	-

2. Complete the following table :-

O/P	4	5	6	7	8
P(Rs.)	9	-	-	6	-
TR(Rs.)	36	-	42	-	40
MR(Rs.)	-	4	-	-	-

3. Commodity X and Y have equal price elasticity of supply. The supply of X rises from 400 units due to a 20% rises in its price. Calculate the percentage fall in supply of Y if its price falls by 8%.

4. From the following schedule find out the level of output at which the producer is in equilibrium. Give reason –

O/P	1	2	3	4	5	6	7
P(Rs.)	24	24	24	24	24	24	24
TC	26	50	72	92	115	139	165

5. Complete the following table:-

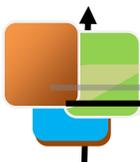
Income	0	20	40	60
Savings	-12	-6	0	6
MPC	-	-	-	-
APS	-	-	-	-

6. Given consumption function $C=100+0.75Y$, and investment expenditure is Rs.1000, Calculate – Equilibrium level of National income consumption expenditure at equilibrium level of National income.

7. Calculate GNPFC from following by –

(a) Income method (b) Expenditure method

Items	Rs. (in cr)
(a) Private final consumption exp.	1000
(b) Net domestic capital formation	200
(c) Profits	400
(d) Compensation of Employees	800
(e) Rent	250
(f) Govt final consumption exp.	500
(g) Consumption of fixed capital	60
(h) Interest	150
(i) Net current transfers from Row	(-) 80
(j) Net factor income from Abroad	(-) 10
(k) Net Exports	(-) 20
(l) Net Indirect taxes	80



Value Based Questions (Chapterwise- by Ultimate)

1. Do you think concept of opportunity cost is important in economics? How
2. “ Value of money always remain same’ defend or Refute.
3. In expansion we move on the same curve, whereas in increase in demand we shift on another curve. What is the principle difference between these two concepts when in both case dd is more?
4. Are more elastic dd , less elastic dd and elastic dd same? How?
5. Is it right to say that law of variable proportion and law of diminishing returns same?
6. Without time element , we cannot analyse the behavior of output. Why?
7. we analyse behavior of output in reference of factor input not in refrence of non factor input. why?
8. Out of four factors of production entrepreneur is more important . Do you agree?
9. A firm is not able to recover its short run variable costs. will you suggest producer to stop producer? Justify your answer.
10. A firm under monopoly is a price maker. It means firm can charge any price from the buyer. Defend or refute.
11. An entrepreneur organized all factors of production to earn money by producing goods and services, but that entrepreneur do not have any direct claim on the profit of firm, why he organized these factors?
12. In monopolistic market , there is product differentiation, then firm can charge any price from the buyer. Do you agree?
13. Ramlal says that “with increase in price, demand decrease but with decrease in dd price also false.” Do you agree?
14. In economics opportunity cost is very important than why opportunity cost of services of housewife is not included in national income(Or it is called as non monetary activity)?
15. Ram is a farmer, he consumed a part of wheat he produced in his farm, national income consider imputed value of this consumption, whereas his consumption of another good X is not included in national income as it is classified as non monetary good. Justify this classification.
16. If in an economy production level is low. What steps should be taken by the government. Give any two suggestions.
17. Income of a poor increase but this increase in income is not permanent, on other hand income of a business tycoon also increased, compare the consumption pattern of both.
18. If purchasing power of an economy is high but due to under utilization of resources production is low ,so there is inflationary pressure in an economy .Give your suggestions to solve this situation
19. People save in term of money. But due to dynamism in economies price level continue to rise. Give your suggestions to maintain stability in the value of money.
20. If there is revenue deficit in budget of a country , and govt neither can raise taxes nor can reduce public expenditure. How govt. can overcome from this situation ? Give any 2 suggestions.
21. “If BOT of India is in deficit with one country, It means it is in deficit with all trade partners”Do you agree with this statement? Justify.
22. If BOP of a country is in deficit. Suggest any 2 steps to be taken by the central bank to



balance the account.

23. US \$ have strong position in forex market, meanwhile some other currencies have more value than \$. Why?

Directorate of Education Govt. of NCT of Delhi

Additional Support Material on Value Based Questions for the Session 2012-2013

Subject: Economics

Class : XII

PART-I MICRO ECONOMICS

Note:- Q1 to Q7 carry the weightage of 1 marks each and from Q8 to Q20 carry the weightage of 3/4 marks each

Q1. In an underdeveloped economy why there is the need of efficient utilization of resources?

Q2. A farmer is getting more profit in producing opium than in production of wheat. In the situation of amine which crop should be produced?

Q3. Why has the power crisis increased in India?

Q 4. According to law of demand by increasing the price of a good its demand decreases but in the case of petrol, its demand is increasing with increase in price why? Explain.

Q 5. In spite of having monopoly, Why the Indian Railway has not increased the fare for many years?

Q 6. The market price of sugar rises when its demand increases. How the supply of sugar can be changed so that price of sugar remain constant?

Q 7. Although there are few (more than one) firms in oligopoly. Even these firms can enjoy monopoly power. How?

Q 8. How can the productivity of Human resources be increased?

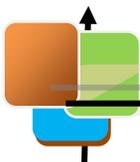
Q 9. What efforts should be made in an economy for the continuous use of exhaustible natural resources in production?

Q 10. There are various sources of income a teacher has such as 1. He can earn Rs 40000 from teaching in school. 2. He can earn Rs 50000 by tuition/coaching 3. He earns Rs 60000 by writing help book guides. What is the opportunity cost of teaching in school? Why should he choose teaching profession?

Q 11- How is the law of diminishing marginal utility applied with regard to education/ knowledge?

Q 12- The demand of electricity is increasing but due to scarcity of resources its supply cannot be increased. Give any two measures how the demand of electricity can be decreased?

Q 13. Even the price of petrol is very high but still its demand is very high. How can the demand of petrol be decreased?



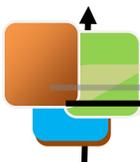


- Q 14. A manager of zoo wants to increase the revenue, which measure is more appropriate i. Increase the entry fee
ii. Decrease the entry fee. Explain?
- Q 15. Even the contribution of plastic industry in GDP is more then why it is not considered an Index of social welfare?
- Q 16. Explain the effects on the market equilibrium by imposing ban on the sale of GUTKA in Delhi?
- Q17. How can the tax policy of Govt be effective in controlling the supply of LIQUOR like harmful product?
- Q 18. In a situation of fall in the sale of Ice-Cream, the Ice-Cream producer would like to reduce the production. What factors of production fixed or variable will be reduced by him? Explain with reasons.
- Q 19. Availability of agricultural land (fixed factor) is limited in the world, but demand of food grain in continuously increasing, is it possible to increase the supply of food grains by continuously increasing variable factors like seeds, fertilizers etc. explain?
- Q 20. The demand for cooking gas is not falling inspite of regular hike in the price of cooking gas. What will be the elasticity of demand for cooking gas. Explain giving suitable reasons in support of your answer.

PART-II MACRO ECONOMICS

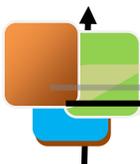
Note:- Q1 to Q6 carry the weightage of 1 marks each and from Q7 to Q25 carry the weightage of 3/4 marks each

- Q 1. Why comparing the GDP of various nations might not tell you which nation is better off?
- Q 2. Compensation to flood victims is a good social security measure by the Govt. But why it is not included in the estimation of national income?
- Q 3. GDP Calculation do not directly include the social costs of environmental damages for example global warming, acid rain. Do you think these costs should be included in GDP? Why or Why not?
- Q 4. Why did India devalue its currency in 1991?
- Ques5. Do you think that a rise in BPO services a good source of supply of foreign currency?
- Q 6. Suppose the present foreign exchange rate is 1\$= Rs50 and if it falls to 1\$=Rs60 should central bank intervene in the foreign exchange rate?
- Q 7. Why do non market economic activities like 1. Services of housewives 2. Voluntary services 3. Leisure time activities help in the flow of goods and services of a country. But why these are not included in the estimation of national income?
- Q 8. GDP growth rate in India for the last few years is more than 6% but still more than 28% of population is lying below poverty line. Explain any two factors responsible for it.





- Q 9. In the situation of inflation credit creation by commercial bank is beneficial for the bank but it explain its negative impact on economy?
- Q 10. In Indian market, money supply is the reason of rising price level. Explain any one measure of central bank to control money supply?
- Q 11. Why is the use of money more convenient for exchange than barter system. Explain?
- Q 12. Suppose all the customers of a commercial bank demand for their deposits at the same time then how does central bank help to commercial bank in this situation.
- Q 13. Why do all the compensation in form of money than toys more convenient to an employee working in toy manufacturing factory?
- Q 14. Excess money supply is necessary for rapid economic development but it creates inflationary situation. Write any two fiscal measures to control inflationary situation.
- Q 15. Saving provides economics security in future but why it is not good from the viewpoint of investment multiplier?
- Q 16. Why do the consumption expenditure of involuntary unemployed worker not zero, even at zero level of income?
- Q 17. What impacts will be on economy when there is planned investment is less than planned saving? What steps should be taken by the govt to maintain equilibrium in the economy.
- Q 18. Increase in money supply is an effective measure to control economic depression but it creates the burden of borrowing on economy. Explain any two measures by which economic depression can be controlled even in the situation of increase in money supply.
- Q 19. In India unemployment is a major problem, if aggregate demand is equal to aggregate supply, can it be called a situation of equilibrium?
- Q 20. In India a majority of population is lying below poverty line due to inequality of 'Income and Wealth'. How can budget be helpful in solving this problem?
- Q 21. There has been consistent rise in prices of fruits and vegetables in Delhi for sometimes. Which measures of budget will you support to reduce the prices of these commodities?
- Q 22. Budget deficit creates disequilibrium in every economy but in developing countries like India, why does Govt depend on it?
- Q 23. Classify following items into Revenue Expenditure and capital expenditure. Give reason for your answer. 1. Free Supply of Stationary to the students by the Govt. 2. Economic assistance given according to Ladli Scheme. 3. Expenditure on the construction of computer lab in school. 4. Expenditure on Mid Day Meal given to students by the Govt.





Q 24. Should a current account deficit be a cause for alarm? Explain.

Ques25. What impact will fall on the expenditure of an American citizen who comes to India for Medical treatment if foreign rate is increased?

SUGGESTED ANSWERS PART-I MICRO ECONOMICS

Ans1- Developmental needs are more in under developed economy and these are fulfilled with our limited resources. Value- Critical Thinking

Ans2- Production of Wheat because in the situation of famine, food grain like wheat is required more than opium
Value- Social Welfare

Ans3- Because its demand is greater than supply Value- Awareness about efficient use of power

Ans4- Now a days petrol has become a necessary good and its supply is limited. Value- - Critical Thinking

Ans5- Indian Railway is a major public sector undertaking and its main motive is social welfare not the profit.
Value- Social Welfare

Ans6- The price of sugar remains constant when demand and supply increase in the same proportion. Value-
problem Solving

Ans7- Firms in oligopoly form cartel and in this way these firm can control over prices. Value- Critical Thinking

Ans8 – The Productivity of Human Resource can be increased with the help of human capital formation by providing training and skill to available labour force. Value-creative Thinking

Ans9 – There are the various efforts- 1. To increase use of renewable resources 2. To explore the substitutes of resources 3. To reduce the wastage of resources, 4. To spread awareness about the effectively and optimum use of natural resources. Value -Environmental Conservation

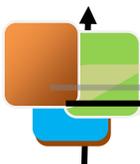
Ans-10 - Opportunity cost of teaching is writing books. He should choose teaching profession because it provides maximum social welfare Value- Social Welfare

Ans11- In this case the law of diminishing marginal utility will not apply because every effort to get education/ knowledge increases the utility. Value Analytic
Ans12- 1. Use the energy/ electricity saving devices. 2. Use alternative sources of electricity such as solar energy, wind energy etc Value -Environmental Conservation

Ans13 - 1. By car pooling 2. By using public transport system 3. By using alternative and renewable resources of petrol such as solar energy. Value- Awareness for efficient use of resources

Ans 14- By reducing the entry fee the number of visitors will increase and total revenue will increase, but if the entry fee is increased then number of visitors will decrease and total revenue will fall. Value- Problem solving

Ans 15- Because in the production of plastic product, a lot of harmful gases are released in the atmosphere. Value- Environment Conservation





Ans 16- Due to the ban on the sale of GUTKA in Delhi, the supply of GUTKA will be reduced and the firms producing GUTKA will shift their factors of production in the production of other related goods. Consumer demand of GUTKA will reduce and hence in this way both the demand and supply of GUTKA will reduce Value- Social Health Consciousness

Ans 17- The production of LIQUOR like harmful product will be less profitable to the producer due to increasing tax rate because the difference between the revenue and cost decreases and hence producer's profit will decrease and the supply of liquid will be decreased. Value- Social Health Consciousness

Ans 18- when sale of ice-cream decreases then profit of producer will fall by which he will try to control his cost of production but in short run he cannot change the cost of fixed factors therefore he will reduce the cost of variable factors. Value- Analytic

Ans 19 -Availability of agricultural land is limited in the world, production of food grains may be increased by continuous increase in variable factors only upto a optimum combination with fixed factor. After that law of negative returns is applied. Value- Critical Thinking

Ans 20 - The elasticity of demand for cooking gas will be inelastic because there will be no change in demand for cooking gas inspite of rise in price of cooking gas. Value- Critical Thinking

PART-II MACRO ECONOMICS

Ans 1- The well being of nation or standard of living of people is measured by per capita income (GDP/ Total Population) and distribution pattern of income not only by GDP Value- Critical Thinking

Ans 2- Because this is a transfer payment Value- Implement of Knowledge

Ans 3- Yes because people's well being is affected by these environmental damages. No, it is very difficult to assess real damages in monetary terms. Value- Awareness about social cost of GDP

Ans 4-India devalued its currency in 1991 to increase the flow of foreign exchange reserve. Value- Analytic Ans

5- Yes, because it is a export of services and good source of foreign currency. Value- Critical Thinking

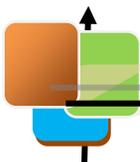
Ans 6- Yes, Central Bank should intervene in order to safeguard the interest of the importers. Value- Creative Thinking

Ans 7- They are not included in national income, because of non-availability of data and problem in measuring the proper monetary values of these services. Value- Implication of Knowledge Ans 8- There are two factors 1.

Unequal distribution of GDP 2. Rise in price level Value- Social Awareness

Ans 9- Money creation by commercial bank in the condition of rising prices increases money supply it creates the situation of excess demand and consequently again increases the price level. Ans 10- explain any one reason 1.

Bank Rate 2. Cash Reserve Ratio (CRR) 3. Statutory Liquidity Ratio (SLR) Value- Thinking Ans 11- 1. Medium of Exchange 2. Store of Value 3. Standard of deferred payment Value- Empathy





Ans 12- Explain the function of central bank as lender of the last resort. Value- Analytic

Ans 13- There is lack of general acceptability in case of toys, while in the case of money there is general acceptability so he can purchase any goods and services with the help of money at any point of time and he does not face any problem of lack of double coincidence of wants. Value- Empathy

Ans 14- Fiscal Measures 1. Increase in Tax rates 2. Reduce Public expenditure Value- Critical Thinking

Ans 15- Money supply is reduced by increase in savings, which creates the situation of deficient demand in economy, consequently it reduces the functioning of investment multiplier. Value- Analytic

Ans 16- A worker has to incur some expenditure to fulfill his basic needs even at zero level of income. Value- Empathy

Ans 17- If there is planned investment is less than planned saving this will create the situation of deficient demand in the economy and it will result increase in the inventory stock of unsold goods. In this situation of Govt. should take fiscal & monetary measures to increase aggregate demand. Value- Analytic

Ans 18-1 . Decrease in Bank Rate 2. Decrease in statutory Liquidity Ratio (SLR) 3. Purchasing of Govt. Securities by the central bank Value- Critical Thinking

Ans 19- No, because it is the situation of under-employment equilibrium. Value- Problem Solving

Ans 20- In Indian budget progressive tax system can be a good measure to remove the inequality of 'income and wealth' and govt should provide social facilities like education, health & food grain to the poor at subsidized rate. Value- Problem Solving

Ans 21- Prices of fruits and vegetables can be reduced by providing subsidies to the producer of fruits & Vegetables and govt. should also provide fruits and vegetables at subsidised rates to the consumers through public distribution system. Value- Problem Solving

Ans 22- Per capita income in developing countries like India is comparatively low so the tax receipts of the Govt are not sufficient, but on the other hand govt has to incur heavy public expenditure for the development of economy so Govt is compelled on budget deficit. Value- Economic Awareness

Ans23 - 1,2 &4 are revenue expenditure because it neither create assets nor cause reduction in assets. 3 is capital expenditure because it increase assets of the Govt. Value - Analytic

Ans 24- No, if deficit in current account is offset by the capital account otherwise such deficit has to be met by following which is a cause for alarm. 1. Depleting Foreign Exchange reserves 2. Taking foreign Loans. Value- Analytic

Ans 25- Expenditure on treatment will reduce because by the increasing foreign exchange rate, his purchasing power will increase. Value- Empathy

Best of Luck

