

**Guess Paper – 2014**  
**Class – XII**  
**Subject – Economics**

**Time Allowed : 3 Hrs.**

**Maximum Marks : 100**

**General Instructions :**

- i) *All questions in both the sections are compulsory.*
  - ii) *Marks for questions are indicated against each.*
  - iii) *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*
  - iv) *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.*
  - v) *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.*
  - vi) *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.*
  - vii) *Answer should be brief and to the point and the above word limit be adhered to as far as possible.*
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**Section-A**

- Q.1 Scarcity is a common feature of both developed & developing economy. Still, economizing of resources is more important for developing countries as compared to developed countries? Do you agree? (1)*
- Q.2 Under what condition will the demand curve be parallel to X-axis? (1)*
- Q.3 What is collusive oligopoly? (1)*
- Q.4 If the firms are earning abnormal profits how will the ‘number of firms in industry’ change? (1)*
- Q.5 Give the meaning of Cost function. (1)*
- Q.6 A good is an ‘inferior’ good for one and at the same time ‘normal’ good for another consumer. Do you agree? Explain. (3)*

OR

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With increase in price of burgers by 22% ,its demand falls by 25%.This indicate that demand for burgers is elastic or inelastic. Give reasons for your answer. (3)

Q.7 One of the Central Problems of an economy is “How to produce”. The Planners of Indian economy are stressing on using labor intensive techniques for production of goods & services. Do you justify this on the grounds of moral responsibility? (3)

Q.8 The supply Curve of commodity ‘B’ passes through the origin & makes an angle of 60 degree. When its price rise by 40%, its quantity supplied rises by 10 units. Calculate its original supply. (3)

Q.9 A consumer consumes only two goods X & Y and is in equilibrium. Price of X falls. Show that it will lead to rise in demand for good X. (3)

Q.10 What is meant by the assumption ‘Consumer always prefers more of any good to less’ on which Indifference curve is based. (3)

Q.11 Explain the implications of the following:

(i) Freedom of entry and exit to firms under perfect competition.

(ii) Interdependence between firms under oligopoly. (4)

OR

Giving reasons, distinguish between the behavior of demand curves of Perfect competition & Monopolistic Competition. (4)

Q.12 Find out (a) Implicit cost and (b) Economic cost from the following : (4)

(Rs. Thousand)

(i) Interest that could have been earned on retained

Earnings used by the firm to finance 100

(ii) Payment of rent by Firm 10

(ii) Interest Payment made by the firm for funds

Borrowed from bank	20
(iv) Payments of wages by the firm	15
(v) Annual depreciation	5

- Q.13* Why does the difference between Average total cost & Average Variable cost decrease with an increase in the level of output? (4)
- Q.14* Market for an essential item of consumption is in equilibrium, but the equilibrium price is too high for the common man. What can the Government do to bring down market price only through the normal market forces? Explain the chain of effect of the Govt.'s action. (6)
- Q.15* Explain the conditions of equilibrium of a firm based on marginal cost and marginal revenue. a) When price remain same b) When price falls with rise in output. Use diagram. (6)
- Q.16* A consumer consumes only two goods. For the consumer to be in equilibrium why Marginal Rate of Substitution must between the two goods must be equal to the ratio of prices of these two goods? Is it enough to ensure equilibrium? (6)

OR

A consumer consumes only two goods. Why is the consumer said to be in equilibrium when he buys only that combination of the two goods which lies at that point on the Indifference curve where the budget line is tangent to the indifference curve? Explain. Use diagram.

### Section-B

- Q.17* The consumption expenditure in the economy is not zero, even at zero level of income .Why? (1)
- Q.18* What is the algebraic relationship between Marginal propensity to consume & Multiplier? (1)

- Q.19 How can increase in foreign direct Investment affect the price of foreign exchange? (1)
- Q.20 State the two components of money supply. (1)
- Q.21 Distinguish between Repo Rate & Reverse Repo Rate. (1)
- Q.22 A farmer produces 200 quintals of wheat out of which he sells 120 quintals of wheat to flour mill at the rate of Rs.300 per quintal, 60 quintal to consumer at the rate of Rs.300 per quintal & retain balance of 20 quintals for self consumption. He used fertilizers for Rs. 6500& seeds etc. for Rs.3500. calculate the value added by the farmer.
- Q.23 The Plastic industry contributes to GDP of the country. However, it is not considered as an index of social welfare. Why? Identify the value highlighted. (3)
- Q.24 During a given year nominal national income increased by 20 percent while the real national income increased by only 10 percent. Population increased by 5 percent. What has caused the difference between nominal income and real income? What is real per capital income? (3)
- Q.25 An American company has ordered readymade garments from an Indian company. What will be the impact on their total import expenditure if there is an increase in the foreign exchange rate?

OR

Explain the effects of appreciation of domestic currency on imports. (3)

- Q.26 Distinguish between the 'balance on current account' and the 'balance of trade'. (3)
- Q.27 Find (a) fiscal deficit and (b) primary deficit from the following: (4)

Particulars	(Rs. In crore)
a) Tax Revenue	40
b) Capital Receipt	34
c) Non Tax-Revenue	10

d) Borrowings	32
e) Revenue Expenditure	80
f) Interest Payments	10% of Revenue Deficit

Q.28 Explain how Govt. can influence allocation of resources through Govt. Budget. (4)

Q.29 How is short run equilibrium level of income /output determined. (4)

OR

Explain the role of “Legal Reserve Ratio” in controlling the inflationary gap.

Q.30 Giving a numerical example, explain the process of money creation by the commercial banks.

OR

Explain (a) measure of value and (b) standard of deferred payments functions of money. (6)

Q.31 Draw a straight line saving curve. From it derive a consumption curve. Explain the process of derivation. Show in this diagram:

(a) The point at which savings is equal to zero.

(b) Any point at which the Average Propensity to Save is negative. (6)

Q.32 Find (a) National Income and (b) Gross domestic capital formation. (3+3)

(Rs. Crore)

(i) Govt. final consumption Exp.	100
(ii) Subsidies	10
(iii) Rent	200
(iv) Wages & Salaries	600
(v) Indirect taxes	60
(vi) Private final consumption Exp.	800

(vii) Change in Stocks	50
(viii) Social security Contribution by employers	55
(ix) Royalty	25
(x) Net factor income paid to abroad	30
(xi) Interest	20
(xii) Consumption fixed capital	10
(xiii) Profit	130
(xiv) Net Exports	70

**TIPS :**

**GUIDELINES FOR ATTEMPTING AN EXAMINATION**

- 1) Go through the entire paper & in the questions involving choice, decide which ones to answer.
- 2) Students may first attempt those questions which you know well. However, try to answer the question in the serial order.
- 3) Stick to word limit. However, do not waste time in counting words as there is no negative marking.
- 4) Answer should be neat, clear & properly arranged. They should be conceptualized. To have better presentation of answer, underlining the headings & key points.
- 5) Solve Numerical problem stepwise. Be careful to mention the units & highlights the final answer.
- 6) Be thorough with CBSE sample papers & last 5 years papers

**Be confident as 80% of question paper is designed for average students.**



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