

Guess Paper – 2014
Class – XII
Subject – Economics

TIME ALLOWED 3hrs

MM 100

General Instruction:

- all question in both the section are compulsory
- Marks for question are indicated against each.
- Question No. 1 to 5 and 17 to 21 are very short answer question carrying 1 marks each.
- Question no. 6 to 10 and 22 to 26 are short answer questions carrying 3 marks.
- Question no. 11 to 13 and 27 to 29 are also short answer question carrying 4 marks.
- Question no. 14 to 16 and 30 to 32 are also long answer questions carrying 6 marks each.
- Question no. 11 and 20 are value based questions .

SECTION A

- Q. 1. Define indifference curve. 1
- Q. 2. If quantities demanded of a commodity X falls as household's income decreases, what type of good X is? 1
- Q.3. Why is economic problem regarded as a problem of choice? 1
- Q. 4. What happens to TP when MP becomes negative? 1
- Q. 5. In which market form is there product differentiation? 1
- Q. 6. Explain the problem 'How to produce'. 3
- Q. 7 Distinguish between normal goods and inferior goods. Give example also. 3

Q. 8. At a price of Rs. 20 per unit, the quantity demanded of a commodity is 300 units. If price falls by 10% its quantity demanded rises by 60 units. Calculate its price elasticity of demand. 3

Q. 9. Differentiate between price discrimination and product differentiation. 3

Q. 10. Draw the curves which show following price elasticity of supply. 3

Q.11. How does the demand for air travel is effected by

A: the rise in rail fare between Jammu to Delhi. 2+2

B: decrease in the air fare between Delhi to Chennai

Q. 12. Given that total fixed cost is R. 60, complete the following table. 4

Output	AVC	TC	MC
1	20		
2	15		
3	20		

Explain the relation between AC & MC.

Q. 13. Explain the law of variable proportion with diagram. 4

Q. 14. Why is there inverse relationship between price of a commodity and its demand? 6

Or

Explain the factors effecting price elasticity of demand.

Q. 15. Explain producer's equilibrium with the help of MC and MR schedule and Diagram . 6

Q. 16. How will equilibrium price and quantity be affected? Explain with diagram. 6

(i) When both demand and supply increase in the same proportion.

(ii) When increase in demand is less than increase in supply.

SECTION B

Q. 17. Define Bank rate. 1

Q. 18. Can the value of APS be negative? if Yes , when? 1

Q. 19. As a result of increase by Rs. 1000 crores, National income increase by Rs. 5000 crores. Find out value of multiplier.

Q.20 :The market price of US \$ has increased considerably leading to rise in prices of imports of essential goods. What can central bank do to ease the situation. 1

Q. 21. What is meant by cash reserve ratio? 1

Q. 22. Differentiate between factor income and transfer income. 3

Q. 23. Will the following factor income be included in domestic factor income of India? Give reason. 3

(i) Profit earned by Indian Company from its branches in Singapore.

(ii) Salary received by Indian Company Resident working in American Embassy in India.

Q. 24. . **Calculate Value Added at factor cost from the following.** 3

ITEMS	Rs. CRORES
a. Purchase of raw materials	30
b. Depreciation	12
c. Sales	200
d. Excise tax	20
e. Opening stock	15
f. Intermediate consumption	48
g. Closing stock	10

Q. 25. Distinguish between autonomous and accommodating transactions of BOP account. 3

Q. 26. Why does demand for foreign exchange rise when its price falls? 3

Q. 27. Distinguish between revenue expenditure and capital expenditure in a government Budget. Give two example of each. 4

Q. 28 In an economy 75% of the increase in income is spent on consumption.

Investment increased by Rs.1000 Crore. Calculate 2+2

(1) Total increase in income

(2) Total increase in consumption expd.

Or

The saving function of an economy is $S = -200 + 0.25Y$. The economy is in equilibrium when income is equal to Rs. 2000 Crore. Calculate

- Investment expenditure at equilibrium level of income.
- Autonomous consumption

Q. 29. What is fiscal deficit? What are its implication? 4

Q. 30. Explain the process of money creation by Commercial Bank. 6

Q. 31 Explain the role of following in correcting the deflationary gap in an economy. 6

1) Govt. Expenditure

2) Legal Reserve Ratio

Or

Explain the concept of Deflationary gap with the help of diagram. How it can be combated?

Q. 32. From the following data find out

6

(a) NNP at MP

(b) Private Income

(c) Personal disposable income

Items	(Rs. in core)
• GDP at Fc	2570
• Indirect taxes	850
• Subsidies	125
• Net factor income from abroad	- 5
• Saving of non-departmental enterprises	15
• Income from property and entrepreneurship	
Accruing to Govt. department	100
• Depreciation	290
• Interest on Public debt	60
• Current transfer from Govt.	245
• Current transfer from abroad	310
• Corporation tax.	190
• Saving of corporate sector	85
• Direct taxes by household	500

ECONOMICS

Class XII

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MM :100

Sr. No.	Content Unit	Forms of Questions			
		Very Short Answer (1Marks)	Short Answer (3,4 Marks)	Long Answer (6 Marks)	Total
1	Unit 1	1(1)	3(1)	-	4(2)
2	Unit 2	1(2)	3(2) 4(1)	6(1)	18(6)
3	Unit 3	1(1)	3(1) 4(2)	6(1)	18(5)
4	Unit 4	1(1)	3(1)	6(1)	10(3)
5	Unit 6	-	3(3)	6(1)	15(4)
6	Unit 7	1(2)	-	6(1)	8(3)
7	Unit 8	1 (2)	4(1)	6(1)	12(4)
8	Unit 9	-	4(2)	-	8(2)
9	Unit 10	1(1)	3(2)	-	7(3)
	Sub Total	10(10)	30(10) 24(6)	36(6)	100(23)

Note:-

1. Figures within brackets indicate the number of questions and figures outside the brackets indicate marks for each questions .

2nd Pre- Board XII Class

ECONOMICS

Marking Scheme

1. IC shows combination of two goods that provide equal level of satisfaction so that the consumer is indifferent. 1
2. Normal goods. 1
3. Human wants are unlimited but resources to satisfy those wants are limited. 1
4. TP starts decreasing. 1
5. Monopolistic competition. 1
6. Broadly, there are two techniques of production.
 - (I) Labour intensive Technique: Under this technique, production Depends more on the use of labour.
 - (ii) Capital Intensive Technique: Under this technique, production depends more on the use of machines (called capital) efficient technique of production is that which uses minimum possible inputs for a given amount of output. So that, cost per unit of output is minimized. 3

7. Normal Goods : These are the goods the demand for which increases

as income of the buyer rises. There is a positive relationship between income and demand or income effect is positive.

Example; Rice, Wheat

Inferior Goods : These are the goods the demand for which

Decreases as income of buyer rises. Thus, there is negative

Relationship between income and demand or income effect is negative. 3

Example: coarse grain, coarse cloth.

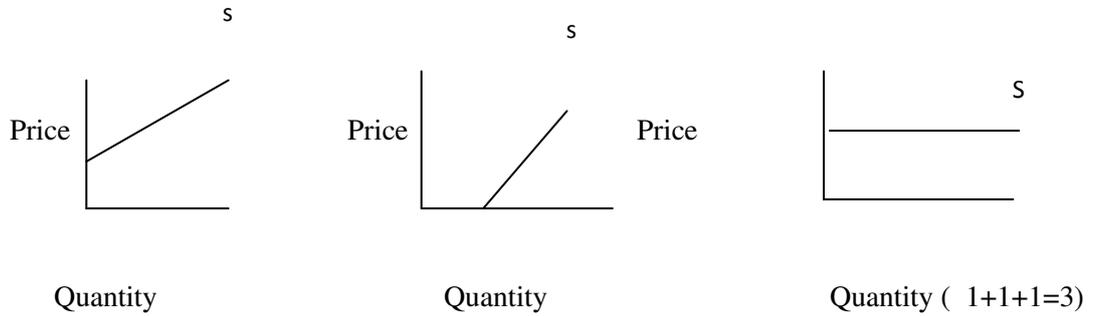
8. Reduced price of commodity per unit = $20 - 2$ (i.e 10%) = 18

$$Ed = \frac{\Delta Q}{\Delta P} \times \frac{P}{Q} = \frac{60}{2} \times \frac{20}{300} = 2$$

9. Price discrimination: Price discrimination is a situation when a monopolist charges different price from different buyers of the same product. This is generally done to maximize profits. Product Differentiation: Product differentiations is a situation when different producers under monopolistic competition, try to differentiate

their product in terms of its shape, size, packaging, trade mark or brand name. This is done to attract buyers from the rival firms in the market 3

10.



11[1] Demand of air travel will increase

(2+2=4)

[2] As air fare comes down, the demand for air fare will increase Demand curve will shift to the right.

12.

Out Put	AVC	TC	MC
1	20	80	20
2	15	90	10
3	20	120	30

OR

Relationship between AC and MC

- Both AC & MC are derived from TC
- Both AC & MC are “U” shaped (Law of variable proportion)
- When AC is falling MC also falls & lies below AC curve.
- When AC is rising MC also rises & lies above AC
- MC cuts AC at its minimum where MC = AC

4

13. **Statement of law of variable proportion:** In short period, when only one variable factor is increased, keeping other factors constant, the total product (TP) initially increases at an increasing rate, then increases at a decreasing rate and finally TP decreases. With diagram. 4

14. (a) Law of diminishing marginal utility

(b) Income effect

(c) Substitutions effect

or

(1) Nature of the commodity

(2) No of substitutes

(3) Proportion of income spent on the commodity

6

(4) Habits

15. Condition:1. $MR=MC$

2. MC should be rising

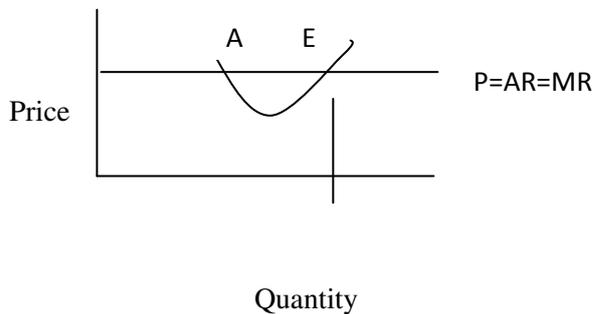
1

Out Put	MR	MC
1	10	14
2	10	12
3	10	10
4	10	8

5	10	8
6	10	9
7	10	10
8	10	14

2

Producer will be in equilibrium at 7th output



2

Producer will be in equilibrium at point E

1

16. (1) Equilibrium price will remain unchanged but equilibrium quantity will increase .

(2) Equilibrium price will decrease and equilibrium quantity will increase

3+3=6

Section –B

17. Bank rate is the rate of interest at which central bank lends to commercial bank.

1

18. Yes, When the consumption is more than income

1

19. $K = \Delta Y / \Delta I = 5000 / 1000 = 5$

1

20 The Central bank can start selling US \$ from its reserves.

1

21. It is the rate which commercial bank under law has to deposit with central bank a minimum percentage of its demand and time deposit.

1

22. **Factor Income** **Transfer Income**
- | | |
|---|---|
| <p>(i) It comprises rent , wages , interest and profit</p> <p>(ii) It is an earned income</p> <p>(iii) It is bilateral payments</p> | <p>(i) It comprises gifts , subsidies , donation etc</p> <p>(ii) It is an unearned income</p> <p>(iii) It is unilateral payments 3</p> |
|---|---|
- 23.
- (i) It will not be included because profits are earned in a foreign country.
- (ii) It will not be included because salary has been earned in American Embassy which is considered a part of American territory . 3
24. Sales + Δ in stock = value of output
- $200 + (\text{cl. St} - \text{op. st})$
 $200 + (10 - 15)$
 $= 200 - 5 = 195$
 Value of output – intermediate consumption
 = value added at MP
 $195 - 48 = 147$
 V.A at FC = V.A at MP – Net indirect tax
 $147 - 20$
 127 crores. 3
25. **Autonomous Item** **Accommodating Item**
- | | |
|--|--|
| <p>(i) It is independent of the state of country's BOP</p> <p>(ii) It is taken with the motive of profit .</p> <p>(iii) It is above the line items</p> | <p>(i) It occurs due to other activities in the BOP</p> <p>(ii) It is done by taking into consideration of BOP status</p> <p>(iii) It is below the line items 3</p> |
|--|--|
26. When exchange rates falls in terms of home currency, it means that less home currency is required to buy one foreign currency . As a result demand for foreign currency rises . 3
27. **Revenue Expenditure** **Capital Expenditure** 4
- | | |
|--|---|
| <p>(i) it is of recurring nature .</p> <p>(ii) It does not create any asset.</p> | <p>(i) It is non recurring in nature</p> <p>(ii) It creates asset</p> |
|--|---|

- (iii) It does not reduce liabilities (iii) It reduces liabilities
 (iv) Examples : Expenditure on police , Traffic etc (iv) Example : Expenditure on road , railways etc.

28. : $MPC = 75\% = 75/100 = 3/4$

$MPS = 1 - 3/4 = 1/4 \quad K=4$

(1) $\Delta Y = \Delta I \times K$

$= 1000 \times 4$

$= 4000 \text{Crore}$

(2) $\Delta Y = \Delta C + \Delta I$

$\Delta C = \Delta Y - \Delta I$

$= 4000 - 1000$

$= \text{Rs. } 3000$

$2+2=4$

or

$S = Y - C = 600 - 540 = 60$

$S = -200 + 0.25 \times 2000$
 $= 300$

$I = S = 300$

When $S = -200$ it means Y was Zero

Therefore, Autonomous consumption = 200.00

29. Fiscal deficit = Total expenditure – Total Revenue Receipt – Non debt capital receipt

Implication

- (i) Inflation
- (ii) Financial burden on future generation
- (iii) Dependence on foreign countries
- (iv) Borrowing multiplies borrowing

4

30. Commercial Bank creates credit in the form of demand deposit, when a bank receives deposits from the public, it keeps a fraction of deposit as cash reserves and uses remaining amount for giving loans to earn interest income. In the process of lending money, Banks are able to create credit through

secondary deposits many times more than the initial deposit.

6

Money multiplier = $1/LRR$.

31. 1) In a situation of deflationary gap or deficient demand. The Govt. should raise its expenditure i.e. there will be more economic activities in the economy like, building of roads, bridges, canal etc. This will raise the level of employment. It will in turn increase the income and the purchasing power. Thus aggregate demand will rise.
- 2) During deficient demand, central bank reduces the CRR. The result of reducing CRR will be seen in the surplus cash reserves with the banks which can be offered for credit. The bank's credit bank reduces SLR, this will have expansionary effect on the credit position of the banks leading to increase in their leading capacity borrowing increases & AD increases. (3+3=6)

When aggregate demand is less than the level of out put at full employment, than the gap is called deflationary gap.

Measures

- (i) Increased govt. expenditure
- (ii) Decrease tax
- (iii) Decrease public borrowing
- (iv) Increasing deficit financing
- (v) Decrease bank rate
- (vi) Purchase of security
- (vii) Fall in CRR

32.

(a) $NNP \text{ at MP} = 2570+850-125-5-290=3000$ crores

(b) $Private \text{ income} = 3000-850+125-15-100+60+245+310=2775$ crores

(c) $PDI=2775-190-85-500 = 2000$ crores. (2+2+2=6)

Paper Submitted by:

Name PARVEEN AGGARWAL

Email parveenaggarwal30@gmail.com

Phone No. 9355326548

www.cbseguess.com

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