Sample Question Paper

Economics

Class XII (2014-15)

Time: 3 Hours   Maximum Marks: 100

Instructions:

1. All questions in both sections are compulsory. However, there is internal choice in some questions.

2. Marks for questions are indicated against each question.

3. Question No.1-3 and 15-19 are very short answer questions carrying 1 mark each. They are required to be answered in one sentence.

4. Question No.4-8 and 20-22 are short answer questions carrying 3 marks each. Answers to them should not normally exceed 60 words each.

5. Question No.9-10 and 23-25 are also short answer questions carrying 4 marks each. Answers to them should not normally exceed 70 words each.

6. Question No.11-14 and 26-29 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: Microeconomics

1. Which of the following is an example of variable cost for a bakery? (1)
   a) Cost of ovens
   b) Monthly rent
   c) Salary paid to the manager
   d) Expenditure incurred on purchase of raw material

2. There are train and bus services between New Delhi and Jaipur. Suppose that the train fare between the two cities comes down. How will this affect the demand curve for bus travel between the two cities? (1)

3. An indifference curve to the right shows higher utility because of: (1)
   a) Monotonic preferences
   b) Cardinal preferences
   c) Ordinal preferences
   d) Diminishing MRS

4. A farmer is producing wheat and opium. If he starts producing more opium than wheat, what will be the impact on production possibility curve and what values are being neglected by the farmer? (3)

5. What is an economic problem? What is its root cause? Explain. (3)

6. How can the tax policy of government be effective in controlling the supply of harmful products like liquor? (3)

7. Agricultural products have an inelastic demand, as a result, wide fluctuation in prices and income of farmers are observed. How can government use price floor or price ceiling for the stabilisation of agricultural prices and income of farmers? (3)

8. Suppose that the demand curve for the XYZ Company slopes downward to the right. Would you conclude that the firm is a price taker or a price maker? Give reasons. (3)

9. Popeye's income decline and as a result he buys more spinach. Is spinach a normal or inferior good for Popeye? What will happen to his demand curve for spinach as his income decline? (4)

10. A consumer wants to consume 2 goods. The price of the goods is Rs 4 &Rs 5 respectively. The consumer's income is Rs 20.
   a) Write the equation of budget line.
   b) How much of good 1 can a consumer consume if he spends his entire income on that good?
   c) How much of good 2 can a consumer consume if he spends his entire income on that good?
   d) Calculate the slope of the budget line. (4)

OR

A consumer consumes two goods X and Y. What will happen if MUx/Px is greater than MUy/Py and MUy/Py is greater than MUx/Px ?

11. When does the profit maximizing firm attain equilibrium in competitive market? State the conditions. Determine equilibrium level of output with the help Marginal Revenue and Marginal Cost approach using schedules. (6)

12. Discuss the effect of following changes on supply of watches. (Use diagram wherever possible). (6)
   a) Price of watch rises .
   b) Price of battery installed in the watch rises.
   c) Government gives subsidy to watch manufacturers.

13. How does the equilibrium price of orange juice changes if a cold snap hits Nagpur leading to increase in the price of oranges? Explain the chain of effects.

OR

If the demand and supply of a commodity both increases, the equilibrium price may or may not change. Explain using diagrams. (6)

14. What are the conditions of consumer's equilibrium under the indifference curve approach? What changes will take place if the conditions to reach equilibrium are not fulfilled? (6)

Section B: Macroeconomics

15. Which of the following implies an increase in ability to create money? (1)
   a) Higher CRR
   b) Higher Repo rate
   c) Lower Reverse Repo Rate
   d) Lower government spending

16. Indian economy is in the grip of rising prices. State any one measures to control the situation. (1)

17. Which of the following includes factor income only? (1)

    a)   Private Income
    b)   Income from domestic product accruing to private sector
    c)   Personal disposable income
    d)   Personal income

18. Which of the given statement is true? (1)
    a) Primary deficit is a part of fiscal deficit
    b) Primary deficit can't be zero
    c)   High primary deficit is a sign of fiscal discipline
    d)   Both b and c

19.   For which of the following tax the burden is not to be borne by the person on whom it is imposed : (1)

    a) Wealth tax
    b) Gift tax
    c) Sales Tax
    d) Corporation tax

20. Balance of payment always balances. Does it mean a situation of zero net liability to rest of the world? (3)

21. In an economy the actual level of income is Rs.500 crores whereas the full employment level of income is Rs.800 crores. The MPC is 0.75. Calculate the increase in investment required to maintain the full employment level of income. (3)

                                                   OR

    Suppose the economy is in the grip of recession. To overcome the recession, the government undertakes a new investment of Rs.500 crores. How much national income will be increased if the marginal propensity to consume of the society is 0.75?

22. Distinguish between APS and MPS. Which one of these can be negative and when? (3)

23. Giving reasons explain how should the following be treated in estimating the national income: (4)

    a)   Consultation fees paid by Ambanis to a foreign business expert.

b) Expenditure incurred by PVR Cinemas on painting of the building.

24. State Whether the following statements are true or false: (4)

   a) Depreciation of domestic currency leads to a fall in exports.
   b) Indians going to abroad for medical treatment leads to an increase in the supply of foreign exchange .

25. Define transfer payments .Distinguish between old age pension and retirement pension with respect to the estimation of national income. (4)

OR

State any four precautions that need to be kept in mind when using the income method for calculating national income.

26. a) India is suffering from the problem of inequalities in the distribution of income and wealth. How can a budget be used as an instrument?

   b) If you were to be appointed as the Finance Minister of India, which taxes would you prefer: direct taxes or indirect taxes and why? (3+3)

27. How is the equilibrium level of income determined in an economy? (6)

28. Explain the process of credit creation by commercial banks. (6)

29. Calculate: (6)

   a) NDP at factor cost

   b) Compensation of employees

   i.   Net factor income from abroad   5

   ii.   Net exports   15

   iii.   Net indirect taxes   40

   iv.   Rent and royalty   20

   v.   Consumption of fixed capital   10

   vi.   Personal consumption expenditure   500

   vii.   Corporate taxes   10

   viii. Interest   30

   ix.   Net domestic fixed capital formation   40

   x.   Dividends   20

xi.	Government expenditure	120
xii.	Undistributed profits	5
xiii.	Mixed income	25
xiv.	change in stock	20

OR

From the following data calculate (i) Gross National Product at Factor Cost

(ii) Personal Disposable Income

i.	Personal taxes	10
ii.	Corporation tax	30
iii.	Net indirect taxes	40
iv.	Income from domestic product accruing to government	60
v.	Net factor income to abroad	5
vi.	Consumption of fixed capital	20
vii.	Corporate savings	15
viii.	Income from domestic product accruing to private sector	180
ix.	Net private donations from abroad	10
x.	Current transfers from government	25

CHANGES IN THE PATTERN OF ECONOMICS QUESTION PAPER:

- CBSE has re-drawn a new blue print for its forthcoming board examination.

- There will be 29 questions in all.

- There break-up of the number of questions is as follows:

  o 8 questions of 1 mark each
  o 8 questions of 3 marks each
  o 5 questions of 4 marks each
  o 8 questions of 6 marks each

- Microeconomics and macroeconomics will have equal weightage of 50 marks each. But it must be noted that the break-up of questions will not be equal across microeconomics and macroeconomics.

- There is a divergence from previous years, as earlier application, HOTS and value based questions were of a smaller percentage. This session onwards HOTS will carry 20% weightage, whereas question paper will also include multidisciplinary & evaluation based question with 10% weightage.

PREPARATION TIPS FOR ECONOMICS EXAM:

- It is very difficult to cram a subject like economics. So, it is beneficial if you take notes, attend lectures and study actively and enhance your economic vocabulary by knowing the definitions, meaning of different economic related terms and even participating in a discussion to understand it.
- Before attending a class, try to skim the chapter so as to have an idea of what are the concepts to be learnt in that chapter.
- Revise all the notes, descriptions and short formula's learned by you all through the year. Memorize only the crisp definitions along with its explanation.
- A flow chart preparation for every chapter will help shorten your toll of time and would help in the detailed understanding of the subject.
- Move topic wise. For example, read something on micro economics, then, move to some other book to understand micro economics in greater depths. Then move to a book that teaches macro economics. This way, you will not study disjoint material.
- Try to figure out what a specific problem asks for. Talk about the data needed to answer it. Know what you are looking for (for example what quantity should the firm produce), know how to find it (look for the intersection of MR and MC), and other factors needed for the outcome to be optimal.
- Ensure that you understand all important terms. Most of these terms would be recurring concepts throughout the course (for example supply, demand, elasticity, market and industry).
- You should be fully conversant with current issues — excess demand, inflation, FDI. There are helpful in answering HOTS and value based questions.
- Be in touch with CBSE previous years papers, sample papers etc. Keep on looking what has been the pattern of CBSE and what type of questions are generally asked.
- Learn the formulae properly for practicing numerical. Make it a practice to write the formula first. After that, put values for calculation. Numerical problems need a lot of practice. Please do not try to mug up formulae. Try to understand the basic concept.
- At the end of the year, do at least 8-10 model test papers for economics. This will help a lot. Find for new questions on the similar context from Previous Year Question paper, Sample paper and other Model test paper.
- Always time yourself while answering the sample papers as it will help you manage time during the exam.

HOW TO ATTEMPT ECONOMICS EXAM?

- Before you start the exam, utilize the first 15 minutes to scan the paper. Read the question paper thoroughly before writing the answers.
- Among the questions with internal choices, select the ones that you plan to attempt, and frame skeletons of the answers you are going to write for these questions.
- Draw neat and clear diagrams, supported by appropriate headings and arrow marks wherever necessary. Label both the axis and mention variables along with their units.
- Present your answers properly and underline the headings and key points to enhance visibility.
- Adhere to the word limit and draw diagrams only if asked in the question.
- Be very precise and to the point in 1 mark questions.
- More explanation is required in 3 and 4 marks questions with points.
- Answers for 6 marks questions should be in detail with proper explanation.
- Follow a pattern. For example, in case you start with long answer questions, complete that section and only then move to short or very short answer section.
- To distinguish between any two variables, learn at least four points of distinction along with basis. Attempt all distinguish between in a tabular form.
- Be careful to write every step and the formulae used. Every step carries marks.
- Answer of the numerical question should be boxed or underlined.
- Revise your answer sheet thoroughly.

While answering keep in mind that the examiner does not know anything. Hence, explain clearly the related points.

MODEL ANSWER WITH MARKING SCHEME:
Q. What are the conditions of consumer's equilibrium under the indifference curve approach? What changes will take place if the conditions to reach equilibrium are not fulfilled? (6)
A. Let a consumer consume Good X and Good Y. A consumer attains equilibrium when:

1) $MRS_{XY} = \dfrac{P_X}{P_Y}$

2) MRS_{XY} must be decreasing due to the law of diminishing marginal utility. (1)

MRS_{XY} is the number of units of Good Y a consumer in willing to sacrifice for an extra unit of Good X.

$\dfrac{P_X}{P_Y}$ is the ratio of prices that prevail in the market and gives the actual units of Good Y that need to be sacrificed to obtain an extra unit of Good X in the market. (1)

Suppose $MRS_{XY} > \dfrac{P_X}{P_Y}$

- It means that the consumer is willing to sacrifice more of Good Y than she needs to give up actually in the market for an extra unit of Good X.

- The consumer gains and increases consumption of Good X.

- As consumption of Good X increase, its marginal utility declines.

- Thus, the willingness to pay for additional units of Good X (in terms of Good Y) falls.

- Process continues till $MRS_{XY} = \dfrac{P_X}{P_Y}$ (2)

Suppose $MRS_{XY} < \dfrac{P_X}{P_Y}$

- It means that the consumer is willing to sacrifice less of Good Y than is actually required in the market for as extra unit of Good X.

- The consumer loses and reduces the consumption of Good X.

- As consumption of Good X decreases, its marginal utility increases.

- Thus, MRS_{XY} increases.

- The process continues till $MRS_{XY} = \dfrac{P_X}{P_Y}$ (2)