

CLASS XII

GUESS PAPER

ECONOMICS

Time : 3 Hours

M.M. = 100

PART - A

I. One Word Carrying one mark each :

1. What do you understand the term slope of the demand curve?
2. According to law of diminishing marginal utility, while eating cake the satisfaction derived from the second slice of it is diminished.
(a) Greater satisfaction than consumption of first slice.
(b) Less than satisfaction of first slice.
(c) not comparable
(d) Equal to first
3. Give the meaning of positive economics and normative economics?
4. Which of the following is not included in the economic activity.
(a) Production (b) Destruction (c) Consumption (d) Investment
5. The diagram below shows three supply curves of 3 commodities. Rank their price elasticities
(a) $A > B > C$ (b) $A = B = C$ (c) $B > A > C$ (d) $C > B > A$

(3 Marks - 60 Words)

6. Prepare a marginal product schedule when for increasing production only one input is increased. Indicate the phases of law of variable proportions.
7. What could be the impact of advertisement cost under monopolistic competition on producers and consumers.

OR

“Consumer benefits from collusive or non-collusive oligopoly”. Explain citing examples.

8. Suppose the demand and supply curves of salt are given by :

$$q^d = 1000 - P$$

$$q^s = 700 + 2P$$

- (i) Find the equilibrium price and quantity.
- (ii) Now suppose that the price of an input used to produce salt has increased so that new supply curve is

$$q^s = 400 + 2P$$

How does the equilibrium price and quantity change? Does the change conform to your expectations?

(4 Marks - 70 Words)

9. (a) Suppose the price elasticity of demand for a good is -0.2 . How will the expenditure on the good be affected if there is a 10% increase in the price of the good.
(b) The demand for a good doubles due to 25% fall in price. Calculate its price elasticity of demand.
10. Identify which of the following is not true for the indifference curve. Give valid reason for choice of your answer.
(a) Lower IC represents higher level of satisfaction.
(b) Two regular convex indifference curve can intersect each other.
(c) Slope of indifference is determined by marginal rate of transformation.
(d) Indifference curve must be concave to the origin at the point of tangency with the budget line at consumer's equilibrium.

OR

Show diagrammatically the conditions of consumer's equilibrium, in Hicksian analysis of demand (use schedule and curve).

11. State the assumption of the PPC.

IV. (6 Marks - 100 words)

12. Explain the effect of the following on the market of a good
(a) Maximum price ceiling (use diagram)
(b) Maximum price floor. (use diagram).

OR

Explain the implications of the following

- (a) Barriers on the entry of new firms under oligopoly market.
(b) Heterogeneous goods under monopolistic competition.
13. What is meant by producer's equilibrium. Explain the conditions of producer's equilibrium using MR and MC approach. Use diagram.
14. Given the market price of a good, how does a consumer decide as how many units of that good to buy? Explain.
15. State with valid reasons, which of the following are true or false :
(a) Supply curve shifts due to change in price.
(b) MC curve cuts AC and AVC at their minimum point.
(c) AR curve under perfect competition is downward sloping.

PART - B

One Mark - One Sentence

16. Which of the following is an intermediate good?
(a) Machine (b) Car
(c) Mobile (d) Sugarcane is a sugar mill

17. Why Rs. 1 currency note is not issued by the RBI.
18. Give the formula for money creation.
19. Pension payment is an example of :
- | | |
|-------------------------|--------------------------|
| (a) Plan expenditure | (b) Non-plan expenditure |
| (c) Revenue expenditure | (d) capital expenditure |
20. While financing a deficit, under which measure government can print more currency
- | | |
|-----------------------|--------------------|
| (a) Deficit financing | (b) Dis-investment |
| (c) By issuing bonds | (d) None of them |
- (3 Marks - 60 Words)**
21. An economy is in equilibrium. Find investment expenditure from the following :
- (i) National Income = Rs. 750,
(ii) Autonomous consumption = Rs. 200
(iii) MPS = 0.4.
22. The following figures are based on BOP account
- | | |
|---|-----|
| (i) Import of goods | 800 |
| (ii) Export of goods | 550 |
| (iii) Import of services (banking, shipping, insurance etc.) | 50 |
| (iv) Unilateral transfers from rest of world (Gifts, Aids) | 100 |
| (v) Unilateral transfers to rest of world (Gifts, Aids) | 80 |
| (vi) Capital receipts (Loan from foreigners, sale of assets to foreigners, receipt of capital from foreigner) | 200 |
| (vii) Capital payments (Loan to foreigners, buying of assets from foreigners, payment of capital to foreigners) | 70 |
- Calculate
- | | |
|---|--|
| (i) Balance of Trade | (ii) Balance of payment on current A/c |
| (iii) Balance of payment on capital A/c | (iv) Balance of payments. |
23. Explain with the help of a diagram and using “Savings = Investment” approach the determination of equilibrium output and income limit in an economy. What happens when the economy is not in equilibrium and savings exceeds investment.
- (4 Marks - 70 Words)**
24. Giving reasons, state whether the following are true or false :
- (i) A fall in the price of 1 US dollar from Rs. 40 to Rs. 30 means depreciation of the Indian currency.
(ii) Both depreciation and devaluation of domestic currency have the same meaning.
(iii) Depreciation of domestic currency encourages exports.
(iv) Appreciation of domestic currency discourages imports.
25. Distinguish between nominal GDP and real GDP. Which of these is a better indicator of economic welfare.

26. How should the following be treated in estimating national income of a country? Give reasons for your answer.
- Taking care of aged parents.
 - Expenditure on providing police services.
 - Interest paid by banks on deposits by individuals.
 - National debt interest.

IV. (6 Marks - 100 words)

27. Distinguish between :
- Repo rate and Reverse Repo rate.
 - Time deposits and demand deposits.
28. Give the meanings and implications of Fiscal deficit and primary deficit.
29. "De-monitisation of Indian currency on the 8th Nov. 2016" What will be the impact on aggregate demand. Show diagrammatically and explain two fiscal measures to overcome it.
30. Calculate National income by
- Income and (ii) Expenditure method from the following data.

	(Rs. Arabs)
(i) Profits	200
(ii) Private final consumption expenditure	440
(iii) Government final consumption expenditure	250
(iv) Compensation of employees	350
(v) Gross domestic capital formation	90
(vi) Consumption of Fixed Capital.	20
(vii) Net exports	(-)20
(viii) Interest	60
(ix) Rent	70
(x) Net Factor income to abroad	50
(xi) Net indirect taxes	

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