

CLASS XII

Economics (030)

Duration: 3 hours

Marks: 100

General Instructions:

- All questions are **compulsory**. However, there is **internal choice** in some questions.
- Question No. **1 to 10** are very short answer questions carrying **1 marks** each. They are required to be answered in **one sentence**.
- Question No. **11 to 16** are short answer questions carrying **3 marks** each. Answers to them should not exceed **60 words** each.
- Question No. **17 to 22** are also short answer questions carrying **4 marks** each. Answers to them should not exceed **70 words** each.
- Question No. **23 to 30** are long answer questions carrying **6 marks** each. Answers to them should not exceed **100 words** each.
- Answer should be **brief and to the point** and the above **word limit adhered** to as far as possible.

1. What is stock variables?
2. Market price and Factor cost will be equal when there is:
 - i. No direct tax
 - ii. No indirect tax
 - iii. No subsidy
 - iv. No indirect tax and no subsidy
3. Determine the missing item in:
? = national income – domestic income.
4. $GDP_{mp} = 1000$ and subsidy = 50, then GDP_{fc} will be:
 - i. 1050
 - ii. 950
 - iii. 1000
 - iv. 900
5. Define reverse repo rate?
6. If MPC and MPS are equal, what is the value of the multiplier?
7. The incidence of tax refers to:
 - i. Level and rate of taxation
 - ii. Who ultimately bears the money burden of tax
 - iii. Growth of taxation
 - iv. Way in which a tax is collected
8. Define non-tax revenue?
9. If the total receipts are 3000 cr. And total expenditure is 4200 cr, how much will be the revenue deficit?
10. Imports of goods and services raises the _____ of foreign exchange.

- i. Supply
- ii. Demand
- iii. Both a and b
- iv. Neither a nor b

11. What is meant by foreign exchange rate? Give three reasons why people desire to have foreign exchange.
12. In the government of a country's budget for the year 2016-17, the finance minister proposed to raise the excise duty on liquor. He also proposed to increase income tax on individuals earning more than rupees one crore per annum. Is the objective only to earn revenue for the government? What possible welfare objective can you think of from these proposals? Explain.
13. An economy is in equilibrium. Its national income is 5000 and autonomous consumption expenditure is 500. What is the total consumption expenditure if MPC is 0.7?

OR

Find national income from the following:

Autonomous consumption = 100

MPC = 0.80

Investment = 50

14. Explain bank of issue function of central bank.
15. Production of services for self- consumption are not included in national income. Give reason to defend or refute your answer.
16. Distinguish between personal income and private income.
17. Suppose the GDPMP of a country in a particular year was 1100 cr. NFIA was 100 cr. The value of (indirect-subsidies) was 150 cr and national income was 850 cr. Calculate the aggregate value of depreciation.
18. In a single day, Raju, the barber, collects 500 from haircuts; over this day, his equipment depreciates in value by 50. Of the remaining 450, Raju pays sales tax worth 30, takes home 200 and retains 220 for improvement and buying of new equipment. He further pays 20 as income tax from his income. Based on this information, complete Raju's contribution to the following measures of income :
(i) GDP (ii) NNPmp (iii) Personal Income (iv) Personal disposable income.
19. What is MPC? How is it related to MPS?

OR

Draw a straight line consumption curve. From it derive curve.

20. Are the following statements true or false? Give reasons.
- i) Effective demand is determined at the point of equality between aggregate demand and aggregate supply.
 - ii) Higher the value of MPC, more is the value of multiplier.
21. Identify the following as revenue receipts & capital receipts. Give reasons.
- i) Loans recovered from PSU.

- ii) Profits of LIC, a public enterprise.
 - iii) Dividend received by government from a company.
 - iv) License and court fees received by the government.
22. When price of a foreign currency rises, its demand falls. Explain why.
23. Calculate National Income and Net National Disposal Income from the following information:

S.No.	Particulars	Crores
1	Net current transfers to abroad	15
2	Net Exports	(-) 20
3	Private final consumption expenditure	400
4	Net factor income to abroad	10
5	Govt. final consumption expenditure	100
6	Indirect tax	30
7	Net domestic capital formation	50
8	Change in stock	7
9	subsidy	5

24. Calculate GDP at Mp by Income method and National Income by Expenditure method.

S.No.	Particulars	Crores
1	Compensation of employees	490
2	Private final consumption expenditure	1120
3	Net factor income from the ROW	-10
4	Net fixed capital formation	180
5	Consumption of fixed capital	80
6	Indirect taxes	180
7	Current transfers from government to households	20
8	Change in stock	60
9	Mixed income of the self employed	560
10	Government final consumption expenditure	150
11	Subsidies	20
12	Exports	100
13	Imports	110
14	Rent, interest and profit	290

25. What is meant by money supply? Discuss, in brief, the various constituents of money supply.
26. How does a central bank influence credit creation or control by commercial banks through 'open market operation'? Explain.

OR

How does a central bank influence credit creation or control by commercial banks through 'bank rate'? Explain.

27. If MPC is one-third of MPS and consumption at zero level of income is 40 crores, derive the consumption and saving function.
28. Distinguish between inflationary gap and deflationary gap. Show deflationary gap on a diagram. Can this gap exist at equilibrium level of income? Explain.
29. Explain the objectives of resource allocation and income distribution in a government budget.
30. What is current account? Explain its various components.