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Ernakulum Region

Sample Paper (1) 2012-2013

Class: XII

ECONOMICS

Max. Marks 70

Marking Scheme

Time 3.00 Hrs

Question Number	<u>Section A</u> Value Points	Marks	
Q.1	Scarce resources in relation to its demand	1	
Q.2	As consumption increases Total utility also increases	1	
Q.3	Inferior good	1	
Q.4	MR rises at decreasing rate first and rises at increasing rate	$\frac{1}{2} + \frac{1}{2}$	
Q.5	MR is Negative	1	
Q.6	It is a curve showing different possibilities of producing a set of 2 goods with given resources and technology Concave due to increasing marginal opportunity cost with brief explanation or How to produce is a problem related to the choice of technologies, ie a) Labour intensive technology b) Capital intensive technology	2 1	
Q.7	Contraction of Demand 1) It is movement along the same demand. 2) Demand falls with increase in price	Decrease in Demand Demand curve shift left Demand falls due to change in other factors Any 2 Diagram	2 1
Q.8	1) Increase in income 2) Favourable change in taste and preference 3) Increase in population (Any 3 point)	1 1 1	

Q.9	<p>Elasticity of Supply : $\frac{\% \text{ change in supply}}{\% \text{ change in price}}$</p> <p>$\% \text{ change in price} = 15$</p> <p>$\% \text{ change in supply} = \frac{5}{25} \times 100 = 20$</p> <p>So $\frac{20}{15} = 1.33$</p>	1 2																																			
10	<p>When AC is falls, it is above MC</p> <p>When AC is constant, it is equal to MC</p> <p>MC cuts AC curve at lowest point any 2 Diagram</p>	1+1 1																																			
11	<p>Consumer can (1) Use energy saving electrical appliances (2) Use alternative source ie, solar or any other. with explain</p>	4																																			
12	<table border="1" data-bbox="337 716 1062 989"> <thead> <tr> <th>Output</th> <th>AR</th> <th>TC</th> <th>MC (Rs)</th> <th>MR (Rs)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>7</td> <td>8</td> <td>8</td> <td>7</td> </tr> <tr> <td>2</td> <td>7</td> <td>15</td> <td>7</td> <td>7</td> </tr> <tr> <td>3</td> <td>7</td> <td>21</td> <td>6</td> <td>7</td> </tr> <tr> <td>4</td> <td>7</td> <td>26</td> <td>5</td> <td>7</td> </tr> <tr> <td>5</td> <td>7</td> <td>33</td> <td>7</td> <td>7</td> </tr> <tr> <td>6</td> <td>7</td> <td>41</td> <td>8</td> <td>7</td> </tr> </tbody> </table> <p>Producer is in equilibrium at 5 unit 2 equilibrium conditions (1) MC=MR (2) MC>MR after this output</p>	Output	AR	TC	MC (Rs)	MR (Rs)	1	7	8	8	7	2	7	15	7	7	3	7	21	6	7	4	7	26	5	7	5	7	33	7	7	6	7	41	8	7	1 1 1 1
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6	7	41	8	7																																	
13	<p>Monopolistic competition market. Because in this market product has close substitute.</p> <p>Diagram</p> <p style="text-align: center;">Or</p> <table border="0" data-bbox="337 1430 1227 1738"> <tr> <td style="vertical-align: top;"> <p>Perfect Competition</p> <p>a) Large number of firms.</p> <p>b) Homogeneous Product</p> <p>c) Firm is price taker.</p> <p>d) MR=AR</p> <p>e) No selling cost.</p> </td> <td style="vertical-align: top; padding-left: 20px;"> <p>Monopolistic Competition</p> <p>Many firms but less than perfect competition</p> <p>Differentiated product</p> <p>Firm is price maker</p> <p>MR<AR</p> <p>Selling cost exist.</p> <p>Any 4 points</p> </td> </tr> </table>	<p>Perfect Competition</p> <p>a) Large number of firms.</p> <p>b) Homogeneous Product</p> <p>c) Firm is price taker.</p> <p>d) MR=AR</p> <p>e) No selling cost.</p>	<p>Monopolistic Competition</p> <p>Many firms but less than perfect competition</p> <p>Differentiated product</p> <p>Firm is price maker</p> <p>MR<AR</p> <p>Selling cost exist.</p> <p>Any 4 points</p>	4																																	
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14	<p>1) Indifference curve slopes downward from left to right 2) Strictly convex to the origin 3) Higher indifference curve represents higher level utilities with brief explain</p>	2+2+2																																			

	or	
	Consumer is in equilibrium where he gets maximum satisfaction. Equilibrium condition: $MU=Price$ Table & Diagram with brief explain	
15	The Law of variable proportion states that as we increase the quantity of only one input, keeping other input fixed, the Total product increases at increasing rate in the beginning, then increases at diminishing rate and ultimately falls. Phase 1: TP increases at increasing rate MP increases Phase 2: TP increases at diminishing rate MP decreases Phase 3: TP falls MP becomes negative Table Diagram	1+1+1 1½ 1½
16	Market equilibrium when market demand is equal to market supply. Table Diagram with brief explanation	2 2 2
<u>Section B</u>		
17	Involuntary unemployment occur when those who are able to willing to work at the existing wage rate do not get the job.	1
18	The sum of MPC and MPS =1	1
19	Money is used as medium of exchange	1
20	Central bank starts selling US Dollers from its reserve	1
21	Consumption function explain the functional relationship between income and consumption	1
22	Items of export and import of goods and services Income and Transfer receipt Investment income Transfer	3
23	Aggregate demand refers to the total volume of goods and services demanded in an economy. Components : $C+I+G+Net\ Exports$ with brief explanation	3

24	$\text{Rs. } 100 + 75 + (20 - 5) + 10$ $= \text{Rs. } 200$ <p style="text-align: center;">OR</p> <p>Precaution</p> <p>(1) Final expenditure is taken (2) Expenditure on second hand good is not included. (3) Expenditure on share is not included (4) Expenditure on Transfer Payment is not included Any 3</p>	3
25	<p>Fixed exchange Rate : It is related to gold standard fixing it government. Government alone change it. It is determined by the forces of demand and supply in the market.</p> <p>Flexible exchange Rate : Determined by Demand and supply of different currencies. It varies along with variations in supply and demand.</p>	3
26	<p>Functions of Money: (1) Money is used as Medium of Exchange (2) Measure of value (3) Store of value</p> <p style="text-align: right;">Explain any one</p>	3
27	<p>Direct tax refers to those tax in which the person himself has to pay. Burden of the tax cannot be shifted. Eg. Income Tax Indirect tax means the burding the tax can be shifted from one person to another person. Eg. Sales Tax</p>	3+1
28	<p>(a) Capital receipt : It decreases the assets of government (b) Capital receipt : It increases liability assets of government (c) Profit : Revenue Receipt : Neither increases liability</p>	4
29	<p>Performing their primary functions of accepting deposits and advancing Loans commercial bank creates credit. They do it by advancing loan in terms of demand deposits many times more than their cash reserves</p> <p>Explanation with examples</p> <p>or</p> <p>(1) Carries out the banking business of government (2) It acts as Agent and Adviser to government (3) It grant loans</p>	2 2
30	<p>(a) Intermediate goods: Goods which are used by during production process and used for the further production. It do not crosses production boundary. It is included in National income Final Income: Goods used for final consumption. It crosses production boundary. It is included in National income.</p>	3

	(b) Income received by the factors of production for their productive waste, ie, Rent for Land Payments made without any work. It do not add How of goods and services.	3
31	Inflationary gap is the excess of Aggregate demand over and above its level required to maintain the full employment. Diagram with Explanation Any 2 fiscal or monetary measure. Equilibrium level of Income and employment is determined where planned savings = Planned Investment No there will always be full employment at equilibrium level by Income.	2 2 2
32	Income Method $GNP = 40+60+120+800+20+100+-20$ Rs. 1120 Expenditure Method: $800+20+200+100+20+-20$ Rs. 1120	3+3