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ERNAKULAM REGION

SAMPLE QUESTION PAPER

CLASS XII – ECONOMICS

Time allowed: 3 hours

Max. Marks: 100

General Instructions:

- (i) All questions in both the sections are compulsory.
- (ii) Marks for questions are indicated against each.
- (iii) Question No. 1-5 and 17-21 are very short answer questions carrying 1 mark each. They are required to be answered in one sentence each.
- (iv) Question no. 6-10 and 22-26 are short answer questions carrying three marks each. Answers to them should normally not exceed 60 words each.
- (v) Question No. 11-13 and 27-29 are also short answer questions carrying 4 marks each. Answers to them should normally not exceed 70 words each.
- (vi) Question no. 14-16 and 30-32 are long answer questions carrying 6 marks each. Answers to them should normally not exceed 100 words each.
- (vii) Question No. 11 and 21 are value based questions.
- (viii) Answers should be brief and to the point and the above word limits should be adhered to as far as possible.

SECTION A

1. Define micro economics. 1
2. What is meant by budget line? 1
3. What happens to total expenditure on a commodity when its price falls and its demand is price elastic? 1
4. Define production function. 1
5. When is a firm called price taker? 1
6. How is production possibility curve affected by unemployment of resources in the economy? Explain. 3
7. From the following data calculate price elasticity of demand: 3

| Price(₹) | Quantity Demanded |
|------------|-------------------|
| 9 | 100 |
| 9 | 150 |

8. A consumer consumes only two goods X and Y and is in equilibrium. Price of X falls. Explain the reaction of the consumer through the utility analysis. 3
9. Distinguish between explicit costs and implicit costs and give examples. 3

10. Explain the implications of the feature 'homogeneous products in a perfectly competitive market.' 3

OR

Explain the implications of the feature 'barriers to entry' under monopoly.

11. **Due to the increase in population the demand for agricultural land has "increased". But the supply of agricultural land is fixed. Explain two methods by which the demand for land can be "decreased".** 4
12. What does the Law of Variable proportions show? State the behaviour of marginal product according to this law. 4

OR

Explain how changes in prices of inputs influence the supply of a product.

13. Define marginal cost. Explain its relation with average cost. 4
14. Explain the conditions of consumers equilibrium with the help of indifference curve Analysis. 6

OR

Explain the properties of indifference curves.

15. Explain the distinction between "change in quantity supplied" and "change in supply". Use diagram. 6
16. Market for a good is in equilibrium. There is "increase" in supply of the good. Explain the chain of effects of this change. Use diagram. 6

SECTION B

17. Define 'Statutory Liquidity Ratio'. 1
18. State the two components of money supply. 1
19. State the Say's Law of markets. 1
20. In an economy, the value of MPC is 0.75. Calculate the value of multiplier. 1
21. **The Indian currency against US \$ has appreciated from ₹ 50 to ₹ 40. What measure the Central Bank can follow to control the situation.** 1
22. Find out Net Value Added at Factor Cost: 3

| | |
|----------------------------------|---------|
| (i) Price per unit of output (₹) | 25 |
| (ii) Output sold (units) | 1000 |
| (iii) Excise duty (₹) | 5000 |
| (iv) Depreciation (₹) | 1000 |
| (v) Change in stocks (₹) | (-) 500 |
| (vi) Intermediate costs (₹) | 7000 |

23. Explain how 'non-monetary exchanges' are a limitation in taking GDP as an index of welfare. 3

24. Giving reasons, explain the treatment assigned to the following while estimating national Income: 3

- (i) Social security contributions by employees.
- (ii) Pension paid after retirement.

OR

Write any three precautions to be taken while estimating national income by expenditure Method.

25. Define foreign exchange rate. How is it determined under flexible exchange rate system? 3

26. Which transactions determine the 'balance of trade'? When is balance of trade in surplus? 3

27. Explain the concept of inflationary gap. Also explain the role of "legal reserves" in reducing Inflationary gap. 4

OR

Explain the concept of deflationary gap. Also explain the role of "margin requirements" in reducing it.

28. From the following data about a government budget, find-

(a) Revenue deficit,(b) Fiscal deficit and (c) Primary deficit: 4

(₹ Crores)

| | | |
|-------|---------------------|----|
| (i) | Tax revenue | 47 |
| (ii) | Capital receipts | 34 |
| (iii) | Non-tax revenue | 10 |
| (iv) | Borrowings | 32 |
| (v) | Revenue expenditure | 80 |
| (vi) | Interest payments | 20 |

29. Distinguish between revenue expenditure and capital expenditure of a government budget.

Give two examples of each. 4

30. "Commercial banks are not only dealers of money but manufacturers of money and credit

also." Explain the statement. 6

31. Calculate (a) GNP at Market Prices and (b) Personal Disposable Income from the following: 6

| | (₹ Crore) |
|------------------------------------|-----------|
| (i) Net factor income to abroad | 10 |
| (ii) Private income | 1700 |
| (iii) Operating surplus | 300 |
| (iv) Corporation tax | 150 |
| (v) Undistributed profits | 30 |
| (vi) Mixed income | 500 |
| (vii) Consumption of fixed capital | 100 |
| (viii) Personal taxes | 200 |
| (ix) Compensation of employees | 1200 |
| (x) Net indirect tax | 250 |

32. Given below is the consumption function in an economy is $C = 200 + 0.5Y$. With the help of a numerical example show that in this economy as income increases APC decreases. 6

OR

The savings function of an economy is $S = -100 + 0.2Y$. The economy is in equilibrium when income is equal to 2,000. Calculate:

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