

**PRE BOARD EXAMINATION
CLASS XII**

ECONOMICS

Time: 3 hours

M.M 100

General instructions:

1. All questions in both the sections are compulsory.
1. Marks for questions are indicated against each.
2. Questions 1 & 13 are very short answer questions carrying 1 mark for each part. They are to be answered in one sentence each.
3. Questions 2-5 & 14-17 are short answer questions carrying 3 marks each. Answers to them should not normally exceed 60 words each.
4. Questions 6-9 & 18-21 are also short answer questions of 4 marks each. Answers to them should not normally exceed 70 words each.
5. Questions 10-12 & 22-24 are long answer questions of 6 marks each. Answers to them should not normally exceed 100 words each.
6. Answers should be brief and to the point and the above word limits be adhered to as far as possible.
7. All parts of the question should be answered at one place.

SECTION A—[INTRODUCTORY MICRO ECONOMIC THEORY]

1. Answer the following questions:

1. What causes a downward movement along a supply curve of a commodity?
2. Why does average fixed cost fall as output rises?
3. In which market forms are product homogeneous?
4. Define the term 'economic problem'.

[1x4=4]

2. What are the central problems of an economy? Why do they arise?

[3]

3. Define market demand. State the law of demand and the assumptions behind it? [3]

4. What change should take place in total revenue so that (a) marginal revenue is positive and constant and (b) marginal revenue is falling?

[3]

5. Define monopoly. Discuss the features of monopoly.

[3]

6. What is meant by price elasticity of demand? Explain one factor affecting it.

The price elasticity of demand for a commodity is 3. A household demands 30 units of the commodity when its price is Rs. 6 per unit. How many units of this commodity will that household demand when its price falls to Rs. 5 per unit? [4]

7. Given below is the cost schedule of a firm. Its fixed cost is Rs. 50. Calculate average total cost and marginal cost at each given level of output.

[4]

Output (units)	1	2	3	4
Total variable cost (Rs.)	80	150	235	330

8. Explain the relationship between marginal cost and average cost with the help of a cost schedule and diagram.

OR

Distinguish between fixed cost and variable cost with two examples each. [4]

9. Explain the equilibrium of a competitive firm with the help of a diagram [4]

10. When can be effects on the equilibrium price of a commodity when its demand and supply both shift to the right simultaneously? Explain the effects through diagrams. [6]

11. Explain with the help of diagrams the effect of the following changes on the demand of a commodity:

- i. An unfavourable change in taste of the buyer for the commodity.
- ii. A fall in the income of its buyer, if the commodity is inferior. [6]

12. Distinguish between returns to a factor and returns to scale. What are the factors that give rise to diminishing returns to scale?

[6]

OR

Explain the law of variable proportions with its three stages. Which stage is relevant for a rational producer?

SECTION B—[INTRODUCTORY MACRO ECONOMIC THEORY]

13. Answer the following questions:

- (a) _____ Wh
at is meant by foreign exchange rate?
- (b) _____ Wh
y is tax not a capital receipt?
- (c) _____ Gi
ve two examples of macro economic variables.
- (d) _____ De
fine _____ macroeconomics.
[1x4=4]

14. What is the basis of categorising different items of expenditure in government budget into revenue expenditure and capital expenditure? Give two examples of each. [3]

15. Calculate (a) personal disposable income and (b) national disposable income. [2+1=3]

Crores		Rs.
1	Net domestic product at factor cost	500
2	Net Indirect taxes	10
3	Direct personal taxes	15
4	Corporate profit taxes	5
5	Savings of private corporate sector	10
6	Current transfers from govt. departments	15
7	National debt interest	5
8	Current transfers from rest of the world	5
9	Income from entrepreneurship and property accruing to govt. departments	15
10	Consumption of fixed capital	30
11	Net factor income from rest of the world	(-) 10

16. How is the classical concept of aggregate supply different from the Keynesian concept of aggregate supply? [3]

17. In an economy investment is increased by Rs. 600 crores. If the marginal propensity to consume is 0.6, calculate the total increase in income and consumption expenditure. [3]

18. Explain any two drawbacks of barter system. How does money help in removing these drawbacks? [4]

19. What is meant by fiscal deficit and revenue deficit? What problems can fiscal deficit create in the economy?

[4]

20. State four sources each of demand and supply of foreign exchange.

OR

Explain the four main items of capital account of Balance of payments account.

[4]

21. What are the functions of commercial banks?

[4]

22. Explain the equilibrium level of income with the help of Consumption and Investment (C+I) curve. If planned savings is greater than planned investment, what adjustments will bring about equality between the two?

[6]

23. a) Define [a]. Nominal GNP and [b]. Real GNP.

b) Will the following be included in the National income of India? Give reasons in support of your answer.

[2+4]

(a). Financial help given to earthquake victims.

(b). Commission of a broker of shares.

(c). Profits earned by an Indian bank from its branches abroad.

(d). Compensation received by an injured employee from an insurance company.

24. From the following data, calculate Gross National Product at Market Price by (a) income method and (b) expenditure method.

[3+3]

Rs. In crores

1	Mixed income of self employed	400
2	Compensation of employees	500
3	Private final consumption expenditure	900
4	Net factor income from abroad	[-] 20
5	Net indirect taxes	100
6	Consumption of fixed capital	120
7	Net domestic capital formation	280
8	Net exports	[-] 30
9	Profits	350
10	Rent	100
11	Interest	150
	Government final consumption expenditure	450