

**PREBOARD EXAMINATION JAN - 2007  
CLASS XII**

**ECONOMICS**

**Time: 3 hours**

**M.M 100**

**General instructions:**

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:
  - i) What causes a downward movement along a demand curve of a commodity?
  - ii) Define market period.
  - iii) What is meant by production function?
  - iv) Can average cost be more than marginal cost when average cost is falling?  
[1x4]
2. Explain three causes of a rightward shift of demand curve of a commodity.  
[3]
3. How do changes in marginal revenue affect total revenue?  
[3]
4. What is meant by an economic problem? Why do they arise?  
[3]

5. Show the effect of an increase in price on total expenditure depending on the values of price elasticity.

[3]

6. Complete the following table:

[4]

Output	Total Cost (Rs.)	Average Variable Cost	Marginal Cost
0	60	--	--
1	110	--	--
2	150	--	--
3	180	--	--
4	220	--	--

7. Why is the average revenue curve of a monopolist less elastic than the average revenue curve of a firm under monopolistic competition? Explain

[4]

8. At a price of Rs. 40 per unit, the quantity supplied of a commodity is 400 units. When its price falls by 10 percent, its quantity supplied falls by 36 units. Calculate its elasticity of supply. Is its supply elastic? Give reasons for your answer.

[4]

9. Explain how the supply of a commodity is affected by: (a) change in the price of inputs and (b) increase in the rate of excise tax.

[4]

10. At a given price of a commodity there is excess supply, what changes will establish equilibrium price? Explain with diagram.

[6]

11. Distinguish between returns to a factor and returns to scale. Explain the reasons for increasing returns to a factor and increasing returns to scale.

[6]

12. Explain the law of demand with the help of a schedule and curve. Why does the demand curve slope downwards?

[6]

#### SECTION B—[INTRODUCTORY MACRO ECONOMIC THEORY]

- 13 .i) Why are subsidies treated as revenue expenditure?  
ii) What is meant by balance of payments?  
iii) If MPS is 0.25, calculate the value of multiplier?  
iv) Give two examples of Macro Economic variables.

[1x4]

14. Distinguish between Gross Domestic Product at market price and Net National product at factor cost  
[3]

**OR**

Explain any three expenditures that are not included in national income.

15. Distinguish between inflationary gap and deflationary gap.  
[3]

16. Explain the functions of a Central Bank.  
[3]

17. What is meant by revenue deficit? What are its implications?  
[3]

18. Define foreign exchange rate. Why does the demand for foreign exchange rise when its price falls?  
[4]

19. Explain the components of aggregate expenditure  
[4]

20. From the following data find out (a) net national product at market prices (b) personal disposable income and (c) net national disposable income.  
**(1+2+1) =4**

	(Rs. In crores)
1. Gross domestic product at factor cost	2,570
2. Savings of non-departmental public enterprises	
15	
3. Consumption of fixed capital	
290	
4. Savings of private corporate sector	
85	
5. Interest on public debt	
60	
6. Net factor income from abroad	(-)
5	
7. Income from property and entrepreneurship accruing to Govt. departments	
100	
8. Indirect taxes	850
9. Subsidies	
125	
10. Current transfers from government	
245	
11. Other current transfers from rest of the world (net)	
310	
12. Corporation tax	
190	
13. Direct taxes paid by households	
500	

21. How has money overcome the problems faced by barter system?

[4]

22. Distinguish between:

- (a) Revenue receipts and Capital receipts
- (b) Direct tax and Indirect Tax
- (c) Plan expenditure and Non-plan expenditure

[6]

23. Explain the equilibrium level of income with the help of Consumption + Investment curve. If planned savings is greater than planned investment, what adjustments will bring about equality between the two? [6]

OR

Explain with the help of a diagram how aggregate demand and aggregate supply determine the equilibrium level of income?

24. Calculate **GNP at market price** by Expenditure method and Income Method from the following Data:

[3+3]

	Rs. In
Crores	
1. Net Investment	200
2. Personal consumption expenditure	
1000	
3. Rent, Interest and Profits	
360	
4. Wages and salaries	
900	
5. Government purchases of goods and services	
300	
6. Depreciation	50
7. Net Indirect taxes	
200	
8. Net factor income from abroad	
(-) 10	
9. Employers' contribution to social security schemes	
50	
10. Net Exports	10