



# St. Xavier's Sr. Sec. School

Delhi-54

Pre Board Examination 2017  
Std. 12  
03-01-2017

Set 2

Max. Marks : 100  
Time : 3 hrs.

## ECONOMICS

General Instructions:

- i) All questions in both the sections are compulsory.
- ii) Marks for questions are indicated against each.
- iii) Question Nos. 1 - 5 and 16 - 20 are very short answer questions carrying 1 mark each. They are required to be answered in one sentence. Write the correct option of MCQs on your answer sheet.
- iv) Question Nos. 6 - 8 and 21 - 23 are short answer questions carrying 3 marks each. Answers to them should normally not exceed 60 words each.
- v) Question Nos. 9 - 11 and 24 - 26 are also short answer questions carrying 4 marks each. Answers to them should normally not exceed 70 words each.
- vi) Question Nos. 12 - 15 and 27 - 30 are long answer questions carrying 6 marks each. Answers to them should normally not exceed 100 words each.
- vii) Answers should be brief and to the point and the above word limits should be adhered to as far as possible.

### SECTION – A

- Q1. Define economic cost. (1)
- Q2. Which of these can be a reason for a downward parallel shift of the budget line? (1)
- a) Price of one good X rises.
  - b) Government gives a cash grant.
  - c) Price of both the goods rise in the same proportion.
  - d) Government gives a subsidy on good Y.
- Q3. Minimum wage legislation is an example of: (1)
- a) Price floor
  - b) Equilibrium price
  - c) Price ceiling
  - d) none of the above
- Q4. Change in quantity supplied refers to: (1)
- a) An upward or downward movement along the supply curve.
  - b) An upward shift of supply curve.
  - c) A downward movement along the supply curve.
  - d) An upward or downward shift of the supply curve.
- Q5. When the market price is less than the equilibrium price there will be: (1)
- a) Competition among producers
  - b) Rise in price
  - c) Neither (a) nor (b)
  - d) Both (a) and (b)
- Q6. Explain the problem of 'choice of output' in an economy. (3)
- Q7. Define an indifference map. Giving reasons compare the level of satisfaction on the following points- (1+2)
- a) Points A and B on an IC with point A to the right of point B.
  - b) Points C and D with point C on an IC to the right of the IC on which point D lies.

(OR)

Define an indifference curve. Giving reasons Show the impact of the following using indifference curves –

- a) A movement from a bundle to another which results in an increase in the units of both the goods.



# St. Xavier's Sr. Sec. School

Delhi-54

- b) A movement from a bundle to another which results in an increase in units of one good with a decrease in that of the other.
- Q8. Demonetization announced by the government is expected to result in an inflow of foreign investments. Explain the effect of this move on India's PPC with the help of a diagram. (3)
- Q9. Explain the relation between Total variable cost and marginal cost with the help of a schedule. (4)

(OR)

Giving reasons, state whether the following statements are true or false.

- a) Average variable cost attains its minimum value when marginal cost is minimum.
- b) When total revenue decreases, marginal revenue increases.
- c) When output is zero the gap between total cost and total fixed cost is zero.
- d) When total revenue is a positively sloped straight line passing through the origin, demand curve is parallel to Y axis.
- Q10. State three dissimilarities between Perfect Competition and Monopoly. In which form of market will you observe a high degree of mutual interdependence and why? (4)
- Q11. The price elasticity of supply of a commodity is 4. When its price rises from Rs. 10/- per unit to Rs. 11/- per unit, its quantity supplied rises by 500 units. Calculate the quantity supplied at the increased price. (4)
- Q12. a) Distinguish between increasing returns to a factor and decreasing returns to a factor using a schedule.
- b) Marginal revenue equals Marginal cost at a certain level of output. What should be a rational producer's reaction? Give reasons for your answer. Use diagram. (3+3)
- Q13. The rent in urban areas is very high. Discuss what can be done by the government to safeguard the interest of the tenants. Using a diagram, explain its implications on the market for rented housing. (6)

(OR)

The market for a commodity is in equilibrium. The government announces a heavy tax on its substitute in production. Explain the changes that will take place in the equilibrium price and quantity. Use diagram.

- Q14. A consumer consumes two goods X and Y. Explain the conditions of consumer's equilibrium using the cardinal utility approach. (6)
- Q15. a) State whether the following are true or false. Give reasons for your answer.
- Demand will be inelastic if the good has a number of close substitutes.
  - The value of elasticity of demand will remain the same on all points on a downward sloping straight line demand curve.
  - Elasticity of demand is the ratio of change in quantity demanded to a change in price of a commodity.
- b) Describe the difference between 'decrease in demand' and 'decrease in quantity demanded' with the help of schedules. (3+3)

## SECTION – B

- Q16. The RBI advises the central government regarding economic policy formation. Which of the following functions of the central bank is reflected here? (1)
- |   |                            |
|---|----------------------------|
| a) Banker's bank                          | b) Government's banker     |
| c) Custodian of foreign exchange reserves | d) Clearing house function |
- Q17. Define 'Balance of Invisibles'. (1)
- Q18. What is meant by ex-ante Aggregate demand? (1)



# St. Xavier's Sr. Sec. School

Delhi-54

- Q19. 25% of all additional income in an economy is saved. Autonomous investment is 100. What is the level of autonomous consumption if the equilibrium level of income is 1000? (1)
- Q20. Which of the following is not revenue expenditure? (1)
- a) Wages and salaries paid to staff. b) Interest on loans.  
c) Repayment of loan taken from the World Bank. d) Subsidies
- Q21. How does money solve the problem 'lack of unit for store of value' of the barter system? (3)  
(OR)

Explain how money solves the problem of 'lack of standard for deferred payments' of the barter system.

- Q22. Describe the main components of current account of BOP. (3)
- Q23. Explain the circular flow of income for a two sector economy model with financial market. Give an example of a leakage and an injection. (3)
- Q24. a) As of now the deposits received by banks due to demonetization have to be maintained by them as reserves. (100% incremental Reserve Ratio). What do you think will be the immediate impact of this move on the money supply of the economy?  
b) Explain the relation between LRR and credit creation by banks using a numerical example. (1+3)
- Q25. In an economy, the planned level of aggregate demand is more than the planned level of aggregate supply. Use a diagram to explain the changes that will take place in the economy. (4)
- Q26. Differentiate between Depreciation of rupee and Devaluation.  
(OR)

A big rise in the foreign exchange rate can be detrimental to the growth of our economy. Explain how this rise can be managed and by whom, in the interest of the economy. Use diagram. (4)

- Q27. a) Government raises its expenditure on the production of public goods. Which objective of the government is reflected in this move? Explain. (4)  
b) Calculate the primary deficit using the given information- (3+3)

	Items	(Rs. in Crores)
1.	Revenue Receipts	4037
2.	Capital Receipts	3348
3.	Revenue Expenditures	4811
4.	Borrowings and other liabilities	2113
5.	Interest Payments	2013
6.	Capital Expenditures	2574
7.	Recovery of loans and other receipts	1235

- Q28. Use a numerical example to explain the relation between the value of the multiplier and –  
a) Marginal propensity to save.  
b) Increase in income.

(OR)

Use diagrams to explain the difference between excess demand and deficient demand. (6)



# St. Xavier's Sr. Sec. School

Delhi-54

Q29. Calculate

- a) Gross national disposable income, and  
b) Personal disposable income:

(2+4)

Items	(Rs in crores)
Corporate profit tax	30
GDP at factor cost	1540
Net current transfers from rest of the world	20
Public debt interest	15
Current transfers from government	30
Indirect tax less subsidies	55
Miscellaneous receipts of government departments	30
Net factor income paid abroad	10
Income from property and entrepreneurship of government depts.	100
Direct Tax paid by households	10
Consumption of fixed capital	40
Savings of government non-dept enterprises	350
Retained earnings of private sector	100

- Q30. a) Explain how externalities are a limitation in taking GDP as an index of welfare.  
b) What do you mean by GDP deflator? Calculate the real GDP if the nominal GDP is 2500 crores and the price index is 125.

(3+3)

-X-X-X-X-X-X-