

MODEL EXAMINATION (DECEMBER – 2017)**CLASS: XII****ECONOMICS****Time: 3 hrs.****Date.....****MAX. MARKS: 80****Name.....****Roll No.....****GENERAL INSTRUCTIONS:**

- i) All questions in both the sections are compulsory.
- (ii) Marks for questions are indicated against each question.
- (iii) Questions No. **1-5** and **14-18** are very short-answer questions carrying **1** mark each. They are required to be answered in **one sentence** each.
- (iv) Questions No. **6-8** and **19-21** are short-answer questions carrying **3** marks each. Answers to them should normally not exceed **60** words each.
- (v) Questions No. **9-10** and **22-23** are also short-answer questions carrying **4** marks each. Answers to them should normally not exceed **70** words each.
- (vi) Questions No. **11-13** and **24-26** 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

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|----|--------------------------------------------------------------------------------------------------------------------------------------|---|
| 1. | When does 'change in quantity demanded' take place? | 1 |
| 2. | What happens to the difference between average total cost and average variable cost as production is increased? | 1 |
| 3. | When does 'shift' in supply curve take place? | 1 |
| 4. | What is the relation between marginal cost and average cost when average cost is rising? | 1 |
| 5. | Describe the marginal revenue of a firm in a perfect competition market. | 1 |
| 6. | What will be the effect of 10 percent rise in price of a good on its demand if price elasticity of demand is (a) zero (b) -1 (c) -2. | 3 |
| 7. | What is minimum price ceiling? Explain its implications | 3 |

OR

If the prevailing price is above the equilibrium price, explain its chain of effects.

8. A consumer consumes only two goods X and Y. Marginal utilities of X and Y are 3 and 4 respectively. Prices of X and Y are Rs. 4 per unit. Is the consumer in equilibrium? What will be the further reaction of the consumer? Give reasons. 3
9. Define fixed cost. Give example. Explain with reason the behaviour of average fixed cost as output is increased. 4

OR

Define marginal product. State the behaviour of marginal product when only one input is increased and other inputs are held constant.

10. Define demand. Name the factors affecting market demand. 4
11. Examine the effect of (i) fall in the own price of good X and (ii) rise in tax rate on good X on the supply curve. Use diagram 6
12. Why do central problems of an economy arise? Explain the central problems of 'For Whom to produce'? 6
13. Explain three properties of indifference curves. 6

SECTION B

14. Define accommodating transactions in the balance of payments account. 1
15. What is Fiat money? 1
16. Define Fiscal deficit. 1
17. What is margin requirement on a loan? 1
18. Define marginal propensity to consume. 1
19. What is aggregate demand? State its components. 3

OR

Explain how controlling money supply is helpful in reducing excess demand.

20. An economy is in equilibrium. Calculate marginal propensity to consume. 3
National income = 1000
Autonomous consumption expenditure = 200
Investment expenditure = 100
21. Assuming real income to be Rs.200 crore and price index to be 135, calculate nominal income. 3
22. Explain the 'medium of exchange' function of money. How has it solved the related problems created by barter? 4

OR

Explain the 'standard of deferred payments' function of money. How has it solved the related problem created by barter?

23. Sale of petrol and diesel cars is rising particularly in big cities. Analyse its impact on gross domestic product and welfare. 4
24. Explain national income equilibrium through aggregate demand and aggregate supply. Use diagram. Also explain the changes that take place in an economy when the economy is not in equilibrium. 6
25. From the following data calculate Net National Product at Market Price' by (a) Expenditure Method and (b) Income Method. 6

Items	(Rs. in lakh)
(i) Personal consumption expenditure	700
(ii) Wages and salaries	700
(iii) Employers' contribution to social security schemes	100
(iv) Gross business fixed investment	60
(v) Gross residential construction investment	60
(vi) Gross public investment	40
(vii) Inventory investment	20
(viii) Profit	100
(ix) Government purchase of goods and services	200
(x) Rent	50
(xi) Exports	40
(xii) Imports	20
(xiii) Interest	40
(xiv) Mixed income of the self- employed	100
(xv) Net factor income from abroad	(-) 10
(xvi) Depreciation	0
(xvii) Indirect taxes	20
(xviii) Subsidies	10

26. What is the difference between revenue expenditure and capital expenditure? Explain how taxes and government expenditure can be used to influence distribution of income in the society. 6

OR

What is the difference between direct tax and indirect tax? Explain the role of government budget in influencing allocation of resources.