PRACTICE PAPER
Economics
Class - XII

Section A

1) Define Economy. (1)

2) Why is MRS always diminishing? (1)

3) What can you say about the vertical distance between TVC and TC? (1)

4) If you are provided commodities free of cost ,at what level would you stop consuming those commodities? (1)

5) At what price ,higher or lower than the equilibrium price,will there be excess demand? (1)

6) In every economy, there are three problems. As these are basic and common to all economies so these are also known as central problems of economy. One of the problem emphasizes on which technique viz. apital intensive or labour intensive is to be used for production of good. (3)

   a) Identify the central problem highlighted above.

   b) What do you mean by labour intensive technique?

   c) Highlight the value which is emphasized if an economy promotes labour intensive technique.

7) Starting from the point of consumer equilibrium, suppose MU of a rupee increases. Tell how is it going to make an impact on quantity demanded? (3)

8) Change in both demand and supply of a commodity may or may not affect its equilibrium price. Explain. (3)

9) Show the relationship between TVC and MC curves. (3)

10) Does a rise in price of other goods have same effect on demand for a commodity? (3)

OR

How will a fall in price affect total expenditure :

a) when demand is inelastic.?

b) when demand is elastic?

c) when demand is unitary elastic?

11) As the output increases there are two phases in the changing behavior of TVC. In the first phase ,TVC rises at decreasing rate that is every new unit of output produced involves a lower cost. In the second phase TVC rises at an increasing rate. (4)

a)State the reasons for rising of TVC at decreasing rate in the first phase.

b) State the reasons for rising of TVC at increasing rate in the second phase.

c) Identify the values which led to lowering cost of every new unit of output produced in first phase in the changing behavior of TVC.

12) Explain causes of leftward shift in demand curve of a commodity. (4)

13) Complete the following table: (4)

Output(units)	Average Variable cost (Rs.)	Total Cost(Rs.)	Marginal Cost (Rs.)
1	___	60	20
2	18	___	__
3	__	____	18
4	20	120	___
5	22	____	_____

OR

The price of dairy milk chocolates rises by 20% and that of Nestle Amul Bar falls by 6%.As a result ,supply of Dairy Milk rises from 20,000 to 30,000 units. Calculate the percentage fall in supply of Amul Bar if both the chocolates have equal price elasticity of supply.Also draw the supply curve showing the elasticity of supply for Amul Bar.

14) Bring out the various points of difference between monopoly and monopolistic competition. (6)

OR

How is equilibrium price of a commodity determined? Explain with the help of a demand and supply schedule.

15) What is meant by producer's equilibrium? Explain the condition of producer's equilibrium through MR-MC approach. Use diagram. (6)

16) Explain the concept of Marginal Rate of Substitution by giving an example. What happens to MRS when a consumer moves downwards along the indifference curve? Give reasons for your answer. (6)

Section B

17) What is foreign exchange rate? (1)

18) In what ways high population growth of poor countries affect their BOP? (1)

19) What is the value of multiplier if MPC is 1? (1)

20) Define money supply. (1)

21) What are open market operations? (1)

22) One of the limitations of per capita real GDP as indicator of economic welfare is that there are many goods and services which are left out from the estimates of National Income on account of practical estimation difficulties. (3)

a) State two other limitations of per capita real GDP as indicator of economic welfare.

b) Give one example of the services which is left out of in the estimation of national income.

c) Highlight the values involved ,if those services are also included in computing national income.

23) 'When exchange rate of foreign currency rises ,its supply rises'. Explain. (3)

24) Calculate Net value added at factor cost- (3)

Items	Rs.(In Crores)
i) Purchase of material	30
ii) Consumption of fixed capital	12
iii) Sales	200
iv) Excise tax	20
v) Opening stock	15
vi) Intermediate cost	48
vii) Closing stock	10

OR

Define intermediate product.Giving reasons, state whether the following are intermediate products or final products.

a) Purchase of equipment for installation in factory.

b) Fee paid to the lawyer by a producer.

25) How is foreign exchange rate determined in flexible exchange rate system? (3)

26) Distinguish between stock and flow variables. (3)

27) What changes will take place to bring an economy in equilibrium if - (4)

a) planned savings are greater than planned investment.

b) planned savings are less than planned investment.

OR

In an economy S= —50 +.5Y is the saving function. Investment is Rs. 7,000 crores. Calculate -

a) Equilibrium level of national income.

b) consumption expenditure at equilibrium level of national income.

c) saving at equilibrium level of national income.

d) value of multiplier.

28) One of the objectives of the government budget includes imposing higher tax on the rich people and spending more amounts on providing free services to the poor like education, medical treatment etc. (4)

a) What would be the impact of imposing higher taxes on the rich people?

b) What would be the impact of spending more amounts on providing free services to the poor.

c) Explain the above objective briefly.

29) What is the basis of classifying government expenditure into – (4)

a) plan and non plan expenditure.

b) development and non development expenditure.

30) Explain the concept of under employment equilibrium with the help of a diagram. Show on the same diagram the additional investment expenditure required to reach full employment equilibrium. (6)

31) State briefly the various instruments of monetary policy. (6)

OR

Explain the following functions of a central bank:

a) Banker's bank b) Government's bank c)Currency authority

32) Calculate National Income and Private Income from the following data: (6)

	Items	Rs. In crores
i)	Current transfers by government	25
ii)	Net domestic product at factor cost accruing to the government	90
iii)	Government final consumption expenditure	200
iv)	Net exports	-50
v)	National debt interest	60
vi)	Net domestic capital formation	100
vii)	Consumption of fixed capital	30
viii)	Net factor income paid to abroad	20
ix)	Private final consumption expenditure	600
x)	Net indirect tax	40
xi)	Net current transfers from abroad	-10

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