

KENDRIYA VIDYALAYA (SHIFT I)

PATTON  
ECONOMICS  
Class – XII

Time : 3 Hrs.

Max. Marks - 100

Note :

- i. All questions in both the sections are compulsory.
- ii. Marks for questions are indicated against each.
- iii. Question Nos. 1-5 and 17-21 are very short-answer questions carrying 1 mark each. They are required to be answered in one sentence each.
- iv. Question Nos. 6-10 and 22-26 are short-answer questions carrying 3 marks each. Answer to them should not normally exceed 60 words each.
- v. Question Nos. 11-13 and 27-29 are also short-answer questions carrying 4 marks each. Answer to them should not normally exceed 70 words each.
- vi. Question Nos. 14-16 and 30-32 are long-answer questions carrying 6 marks each. Answer to them should not normally exceed 100 words each.
- vii. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

Section - A

Introductory Microeconomics

1. Define 'opportunity cost'. (1)
2. What causes an upward movement along a demand curve? (1)
3. A rise in the price of a good results in an increase in expenditure on it. Is its demand elastic or inelastic? (1)
4. What is meant by the term 'price taker' in the context of a firm? (1)
5. What is the price elasticity of supply of a commodity whose straight line supply curve passes through the origin forming an angle of  $75^\circ$ ? (1)
6. Given below is the utility schedule of a consumer for commodity X. The price of the commodity is Rs. 6 per unit. How many units should the consumer purchase to maximize satisfaction? (Assume that utility is expressed in utils and 1 util = Re. 1). Give reasons for your answer.

Consumption (units)	Total utility (utils)	Marginal utility (utils)
1	10	10
2	18	8
3	25	7
4	31	6
5	34	3
6	34	0

(3)

7. State the 'law of supply'. What is meant by the assumption 'other things' (3)  
 8. Complete the following table:

<b>Output (units)</b>	<b>ATC (Rs)</b>	<b>AVC (Rs)</b>	<b>MC (Rs)</b>
1	54	30	30
2	-	24	-
3	-	-	24
4	33	-	-

9. Explain the implication of the feature 'product differentiation' under Monopolistic Competition. (3)

**OR**

Explain the implication of the feature 'Freedom of entry and exit of firms' under perfect Competition. (3)

10. State the problems relating to allocation of resources in an economy. (3)  
 11. Explain the effect of rise in the prices of 'related goods' on the demand for a good X. Use diagrams. (3)

**OR**

Explain the effects of change in income on demand for a good. (4)

12. Is the elasticity of demand equal on all points of a straight line demand curve? Give reasons. (4)  
 13. Complete the following table :

Output (units)	Price (Rs.)	Marginal Revenue (Rs.)	Total Revenue (Rs.)
1	-	10	-
2	9	-	-
3	-	-	24
4	-	4	-

(4)

14. Explain the likely behaviour of Total Product and Marginal Product when only one input is increased while all other inputs are kept unchanged.

**OR**

All the inputs used in production of a good are increased simultaneously and in the same proportion. What are its possible effects on Total Product? Explain with the help of a numerical example. (6)

15. There is a simultaneous 'decrease' in demand and supply of a commodity. When will it result in :

- (a) No change in equilibrium price.  
(b) A fall in equilibrium price.

Use Diagram.

(6)

16. Define 'producer's equilibrium'. Explain the conditions of producer's equilibrium in terms of Total Cost and Total Revenue. Use diagram.

(6)

### **Section - B Introductory Macroeconomics**

17. What is the credit multiplier? (1)  
18. What is meant by Statutory Liquidity Ratio? (1)  
19. How net factor income from is abroad calculated? (1)  
20. What will be the effect of a rise in bank rate on money supply? (1)  
21. If closing stock is greater than opening stock, what will be its effect on inventories? (1)  
22. State the steps in computing national income using income method. (3)  
23. From the following data calculate national income :

*Rs.(Crores)*

(i) Compensation of employees	800
(ii) Rent	200
(iii) Wages and salaries	750
(iv) Net exports	(-30)
(v) Net Factor income from abroad	(-20)
(vi) Profit	300
(vii) Interest	100
(viii) Depreciation	50
(ix) Remittances from abroad	80
(x) Taxes on profits	60

**OR**

Calculate 'gross domestic product of factor cost' from the following data.

*(Rs.Crores)*

(i)	Private final consumption expenditure.	800	
(ii)	Net domestic capital formation	150	
(iii)	Change in stock	30	
(iv)	Net factor income from abroad	(-) 20	
(v)	Net indirect tax	120	
(vi)	Government final consumption expenditure	450	
(vii)	Net exports	(-) 30	
(viii)	Gross fixed capital formation	170	
(ix)	Export of Machinery	40	(3)
24.	How does money solve the problem of double coincidence of wants?		(3)
25.	"Machines are always final goods". Do you agree with this statement? Give reason.		(3)
26.	Central bank is the banker's bank. Substantiate this view.		(3)
27.	Explain the four functions of money.		(4)
28.	Explain any two methods of credit control by central bank when the economy is facing inflation.		(4)

**OR**

What is varying reserve ratios? How central bank use this as a tool to control credit?

(4)

29. What is money supply? Explain the components of money supply. (4)
30. How will you treat the following while estimating domestic product of India?
- (i) Rent received by a resident Indian from his property in Singapore.
  - (ii) Salaries to Indians working in Japanese Embassy in India.
  - (iii) Profits earned by a branch of an American Bank in India.
  - (iv) Salaries paid to Koreans working in Indian embassy in Korea.

**OR**

Explain any two precautions that should be taken while estimating national income by (a) value added method, and (b) income method. (6)

31. With the help of a numerical example show how commercial bank creates credit. (6)

32. Calculate Gross National Product at Market Price and Personal Disposable Income from the following data

	<i>(Rs. crores)</i>	
(i) Subsidy	20	
(ii) Net factor income from abroad	(-) 60	
(iii) Consumption of fixed capital	50	
(iv) Personal Tax	110	
(v) Savings of private corporations	40	
(vi) Dividend	20	
(vii) Indirect tax	100	
(viii) Corporation tax	90	
(ix) Net national disposable income	1000	
(x) National debt interest	30	
(xi) Net current transfers from abroad	20	
(xii) Current transfers from government	50	
(xiii) Miscellaneous receipts of the government administrative departments.	30	
(xiv) Private income	700	
(xv) Private final consumption expenditure	380	(6)

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