

KENDRIYA VIDYALAYA PATTOM, SHIFT I
ECONOMICS

Class - XII

Time : 3 hrs.

Max Marks : 100

General Instructions:

1. All questions in both the sections are compulsory.
2. Marks for the questions are indicated against each.
3. Question Number 1-5 and 16-20 are multiple choice questions or very short answer questions carrying 1 mark each. Choose the correct answer or answer in one sentence.
4. Question numbers 6-8 and 21-23 are short answer questions carrying 3 marks each. Answers to them should not exceed 60 words each.
5. Question numbers 9-11 and 24-26 are also short answer questions carrying 4 marks. Answers to them should not exceed 70 words each.
6. Question numbers 12-15 and 27-30 are long answer questions carrying 6 marks each. Answers to them shall not exceed 100 words each.
7. Answers should be brief and to the point and the word limit should be adhered to as far as possible.

SECTION - A

1. Which central problem explains 'who gets more and who gets less'?
 - a. How to produce?
 - b. What to produce?
 - c. For whom to produce.
 - d. All of the above. (1)
2. Why is Marginal cost curve 'U' shaped? (1)
3. A severe drought results in a drastic fall in the output of wheat. How will it affect the market price of wheat?
 - a. Market price of wheat increases.
 - b. Market price of wheat decreases.
 - c. Market price of wheat remains constant

d. None of the above (1)

4. Which technique of production should be used to promote the production of Khadi?

(1)

5. Which of the following cost curves is never 'U' shaped?

- a. Average Variable cost curve.
- b. Marginal cost curve
- c. Average cost curve
- d. Total variable cost curve

(1)

6. Average Revenue is equal to price. Prove.

(3)

7. Explain any three properties of Indifference curve.

OR

Why is Indifference curve convex to the origin?

(3)

8. Explain any two factors that affect the price elasticity of demand for a commodity

OR

Explain how the availability of close substitutes affects the price elasticity of demand for a commodity.

(3)

9. When the price of a commodity falls by 10 percent, its demand rises from 20 units to 40 units. Calculate its price elasticity of demand.

(4)

10. Explain the law of variable proportions with the help of a total and marginal product schedule and diagram.

(4)

11. Define the problem of 'Choice of Technology'. How this problem is solved using PPC?

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OR

What are Central Problems? Do rich countries face central problems? Give reason for your answer.

(4)

12. Why does a consumer reaches equilibrium at the point where an Indifference curve intersects the Budget line?
Explaining using diagram

OR

How does a consumer reach equilibrium when he buys two commodities? Explain using utility schedule.

(6)

13. Explain the implications of the following:

- a. Homogenous product
- b. interdependence of firms

(6)

14. Explain the conditions of producers' equilibrium with the help of a numerical example and diagram.

(6)

15. What is equilibrium price of a commodity?
How is it determined? Explain with the help of a schedule and diagram?

(6)

SECTION - B

16. If marginal propensity to consume is 0.6, what is the Value of multiplier?

(a) 1 (b) 25 (c) 2.5 (d) 2

(1)

17. In an economy $MPC = 0.9$ and investment increases by Rs. 100 crores. Compute the increase in income in the economy.

(1)

18. From the following which one is not a direct tax?

- a. Income Tax
- b. VAT
- c. Wealth Tax

d. Corporate Tax

(1)

19. Which among the following is not a function of commercial bank?

- a. Issuing of currency
- b. Advancing loan
- c. Giving overdraft
- d. Accepting deposits.

(1)

20. Calculate money multiplier if initial deposit of Rs. 200 crores lead to creation of total deposits of Rs. 800 crores.

- a. 5
- b. 3
- c. 4
- d. 6

(1)

21. What do you mean by fiscal deficit?
What are its implications?

(3)

22. Net Value Added at Factor Cost

Compute from the following data:

(3)

(Rs in lakhs)

1.	Sales	1000
2.	Purchase of raw materials from domestic market	500
3.	Import of raw material	200
4.	Subsidies	50
5.	Consumption of fixed capital	60
6.	Change in stock	30
7.	Rent	80

23. Differentiate between current account and capital account of balance of payments.

OR

Differentiate between balance of payment and Balance of Trade

(3)

24. Discuss the measures that the government can take for encouraging the setting up of production units in economically backward regions using its budgetary policies.

(4)

25. Explain the working of multiplier with the help of a numerical example?

(4)

26. How is exchange rate determined in the foreign exchange market? Explain?

OR

Explain any four determinants of the demand for foreign Exchange?

(4)

27. State any three precautions which are to be taken while calculating national income by Income method?

(6)

28. Calculate 'Gross National Disposable Income' from the following data:

(Rs. in crores)

1. Net domestic product at factor cost	2500
2. Net Indirect tax	100
3. Net current transfers from rest of the world	200
4. Current transfers from government	100
5. Consumption of fixed capital	80
6. Net factor income from abroad	50

OR

Calculate National Income from the following data:

(Rs. in crores)

1. Compensation of employees	3000
2. Interest	800
3. Dividend	200

4.	Net exports	80
5.	Profit	500
6.	Rent	100
7.	Employees contribution to social security schemes	200
8.	Consumption of fixed capital	100
9.	Mixed income of self employed	1000
10.	Net indirect taxes	200
11.	Net factor income from abroad	-10

(6)

29. Define Commercial Bank. Explain the process of credit creation by commercial banks.

(6)

30. In an Economy $C = 200 + 0.2 Y$ and $I = 500$.
(Where C= Consumption, Y = Income I - Investment).
Calculate the following:

1. Equilibrium level of Income
2. Consumption expenditure at equilibrium level of Income

(4,2)