

Subject Economics

Class: XII

Time: 3 Hours

Max Marks: 80

GENERAL INSTRUCTIONS:

This question paper contains four sections:

- i. Section –A contains 10 Very Very Short Answer Type Questions of 1 mark each. $1 \times 10 = 10$ marks
- ii. Section- B contains 10 Very Short Answer Type Questions of 2 marks each to be answered in 20 to 30 words. $2 \times 10 = 20$ marks
- iii. Section – C contains 8 Short Answer type questions of 4 marks each to be answered in 100 to 150 words. $4 \times 8 = 32$ marks
- iv. Section - D contains 4 Long Answer type questions of 6 marks each to be answered in 150 to 200 words. $6 \times 3 = 18$ marks

Section A

1. Which of the following concepts can be used to explain why production possibility frontiers slope downwards?
 - a) Scarcity
 - b) Sunk costs.
 - c) Trade
 - d) Increasing marginal costs.
2. Which of the following is an example of a positive economic statement?
 - a) Pollution is one of the most serious economic problems.
 - b) Higher interest rates will encourage more savings.
 - c) The pricing policies of monopolies should be strictly supervised.
 - d) Unemployment is more harmful than inflation.
3. The demand for a good like salt is
 - a) elastic
 - b) inelastic
 - c) unitary elastic
 - d) perfectly elastic
4. The law of demand states that if there is an increase in a product's selling price.
 - a) The quantity demanded of that good will decrease
 - b) The quantity supplied of that good will decrease
 - c) The quantity demanded of that good will increase
 - d) The quantity supplied of that good will increase

5. Maximum Price Legislation is also known as
- Price Ceiling
 - MRP
 - Price Floor
 - Price Control
6. If many sellers are selling an identical product, what is the implication of this scenario?
- Significant losses for all the sellers
 - The market supply curve is horizontal
 - Chaos in the market
 - The sellers do not have the power to change the price of a product
7. What is the function of the GDP deflator?
- It is a measure of inflation which evaluates the entire range of goods and services produced in the economy.
 - It shows real GDP growth on the basis of current production.
 - The GDP deflator is in real terms while the CPI is in nominal terms.
 - None of the above
8. If an economy is to control recession like most of the Euro-Zone nations, which of the following can be appropriate:
- Reducing Repo Rate
 - Reducing CRR
 - Both (a) and (b)
 - None of (a) and (b)
9. Which of the following agency is responsible for issuing 1 currency note in India?
- Reserve Bank of India.
 - Ministry of finance
 - Ministry of Commerce
 - Niti Aayog
10. If the investment falls to zero, national income does not fall to zero because of:
- Autonomous Consumption
 - Induced Investment
 - Autonomous Investment
 - Multiplier

Section B

11. Define normative economics, with a suitable example.
12. What do you understand by Law of diminishing Marginal Utility?
13. Why is Total Variable Cost curve inverse S- shaped?
14. Highlight various features of perfect competition.
15. Distinguish between Real and Nominal GDP
16. Differentiate between revenue expenditure and capital expenditure.
17. What are the main components of the Budget? 18. Define income effect and substitution effect
19. What is marginal opportunity cost?
20. What is repo and reverse repo rate?

Section C

21. 'Higher indifference curve represents higher level of satisfaction to the consumer'. Explain the statement, also state the underlying assumption related to this property of indifference curve.

22. Complete the following production schedule:

Units of variable input	Total Physical Product (units)	Average Physical Product (units)	Marginal Physical Products (units)
1	10	10	--
2	--	11	12
3	--	--	8
4	35	--	--
5	--	--	-5

23. How is the price of a commodity determined in a perfectly competitive market? Explain with help of a diagram
24. Suppose in a hypothetical economy there are only two Firms A and B, Firm A sold goods for Rs. 2,000 to Firm B and purchased goods for Rs. 1,000. Firm B exported goods for Rs. 2,500 and had domestic sales of Rs. 1,500. Calculate Net Domestic Product at market price, if consumption of fixed capital is Rs. 200.
25. As per the following news published in The Economic Times on 26th December, 2022:
'Reserve Bank of India has sold government securities worth Rs. 8,710 crore in the secondary market, over the last four weeks, to drain out excessive liquidity'.
Identify the likely cause and the consequences behind, this type of action plan of the Reserve Bank.

26. If an economy plans to increase its income by Rs. 2,000 crore and the Marginal Propensity to Consume is 75%. Estimate the increase in investment required to achieve the targeted increase in income.
27. The opening up of the Indian Economy has led to a rapid increase in Foreign Direct Investments and Foreign Exchange Reserves of the country'. Defend or refute the given statement.
28. The coefficient of elasticity of supply of a commodity is 3. A seller supplies 20 units of this commodity at a price of Rs. 8 per unit. How much quantity of this commodity will the seller supply when price rises by Rs. 2 per unit?

Section D

29. State, with valid reasons, which of the following statements are true or false:
- i. Average Revenue curve under the Perfect Competition is a downward sloping curve.
 - ii. AFC curve is a rectangular hyperbola curve.
 - iii. When MR is falling but positive, TR will also be falling and positive.

OR

A consumer, Mr. Brown is in state of equilibrium consuming two goods X and Y, with given prices P_x and P_y . Explain what will happen if:

- a. MU_x/P_x is greater than MU_y/P_y .
- b. P_y fall

30. Compute (a) National Income and (b) Personal Disposable Income.

S.No.	Items	Amount (in ₹ Crores)
i)	Mixed Income of Self Employed	2,500
ii)	Net Factor Income from Abroad	(-) 50
iii)	Rent	500
iv)	Private Income	4,000
v)	Consumption of Fixed Capital	400
vi)	Corporation Tax	700
vii)	Profits	300
viii)	Net Retained Earnings of Private Enterprises	500
ix)	Compensation of Employees	1,600
x)	Net Indirect Taxes	500
xi)	Net Current Transfers from Abroad	150
xii)	Net Exports	(-) 40
xiii)	Interest	500
xiv)	Direct Taxes Paid by Households	300

OR

Explain the Law of Variable Proportions with the help of a diagram. In which stage of the Law a producer finds his equilibrium and why?

31. What is the range of values of investment multiplier? Clarify the relation of investment multiplier with marginal propensity to consume (MPC) and with marginal propensity to save (MPS).

OR

Distinguish between GNP and GDP. Explain income method of measuring national income.