SET – 1
Subject Code: 030

COMMON PRE-BOARD EXAMINATION 2017-2018
ECONOMICS

CLASS: XII
Time Allowed: 3 hours **Maximum Marks: 80**

General instructions:-

1. All questions in both the sections are compulsory.
2. Marks for questions are indicated against each.
3. Questions No. 1-4 and 13-16 are very short answer questions carrying 1 mark each.
4. Questions No. 5-6 and 17-18 are short-answer questions carrying 3 marks each.
5. Questions No. 7-9 and 19-21 are also short-answer questions carrying 4 marks each.
6. Questions No. 10-12 and 22-24 are long-answer questions carrying 6 marks each.
7. This question paper contains **five** printed pages and 24 questions.

SECTION:A

1 A firm is operating with a Total Variable Cost of ₹ 1000 when 5 units of the given output are produced and the Total Fixed Costs are ₹ 400, what will be the Average Total Cost of producing 5 units of output? 1

a) 280
b) 220
c) 200
d) 300

2 A firm is able to sell more quantity of a good only by lowering the price. The firm's marginal revenue, as he goes on selling, would be: 1

a) Greater than average revenue
b) Less than average revenue
c) Equal to average revenue
d) Zero

3 When Average revenue is above Average Cost, firm is at : 1

a) Loss making point
b) Supernormal profit point
c) Breakeven point
d) Minimise loss point

4 Law of variable proportion holds on when: 1

a) State of technology is same
b) All units of variable factor are homogeneous
c) There is at least one fixed factor
d) All of the above

5 Explain the law of diminishing marginal utility with the help of a total utility schedule. 3

OR

Explain the conditions of consumer's equilibrium with the help of utility analysis.

6 When the Price of a good rises from ₹ 20 per unit to ₹ 30 per unit, the revenue of the firm producing this good rises from ₹ 100 to ₹ 300. Calculate the price elasticity of supply. 3

7 Giving reason state whether the following statements are true or false. 4

a) Equilibrium between demand and supply helps in determining prevailing price of the product
b) Equilibrium price will not change if decrease in demand meets with proportionate decrease in supply.

8 Why is the equality between marginal cost and marginal revenue necessary for a firm to be in equilibrium? Explain with a schedule. 4

OR

Explain how the following factors affect the supply of the commodity (any two)

a) Price of factor inputs b) State of technology c) Government taxation Policy

9 Production in an economy is below its potential due to unemployment. Government starts employment generation schemes. Explain its effect using production possibilities curve. 4

10 Suppose the demand and supply curves of salt are given by: 6

Qd = 1000 – p

Qs = 700 +2p

a) Find the equilibrium price and quantity

b) Now suppose that price of an input used to produce has increase so that the new supply curve is Qs=400+2p. How does the equilibrium price and quantity change?

c) Suppose the government is imposed a tax of ₹ 3 per unit on sale of salt. How does it affect the equilibrium price and quantity?

OR

Suppose the value of demand and supply curves of a Commodity-X is given by the following two equations simultaneously:

Qd = 200 –10p, Qs = 50 + 15p

i. Find the equilibrium price and equilibrium quantity of commodity X.

ii. Suppose that the price of a factor inputs used in producing thecommodity has changed, resulting in the new supply curve given by the equation

Qs' = 100 + 15p

Analyse the new equilibrium price and new equilibrium quantity as against theoriginal equilibrium price and equilibrium quantity

11 Distinguish between change in quantity supplied and change in supply with a graph. 6

12 a) Why is Total Variable Cost curve inverse S- shaped? 6

b) What is Average Fixed Cost of a firm? Why is an Average Fixed Cost Curve a rectangular Hyperbola? Explain with help of a diagram.

SECTION: B

13 Identify the stock variable: 1

(a) Wealth

(b) Savings

(c) Income

(d) Capital formation

14 Define money supply. 1

15 Capital receipts come from: 1

a) Market borrowings

b) Recoveries of loans

c) Provident funds

d) All of them

16 The exchange rate determined by the free play of the forces of demand and supply of foreign exchange is: 1

(a) Flexible exchange rate

(b) Fixed exchange rate

(c) Managed floating

(d) None

17 Find Net Value Added at Factor Cost: (₹ Lakh) 3

i.	Sales	500
ii.	Closing Stock	40
iii.	Excise	30
iv.	Opening Stock	20
v.	Depreciation	24
vi.	Intermediate Consumption	100

18 Explain the effects of appreciation of domestic currency on exports. 3

OR

Explain the effects of appreciation of domestic currency on imports.

19 How will 'Reverse Repo Rate' and 'Open Market Operations' control excess money supply in an economy? 4

OR

Illustrate with the help of a hypothetical numerical example the process of credit

20 Find (a) fiscal deficit and (b) primary deficit from the following: (₹Crore) 4

Revenue expenditure = ₹70,000
Borrowings = ₹15,000
Revenue receipts = ₹50,000
Interest payments = 25% of revenue deficit.

21 What does the Balance of Payments Account record? Distinguish between the "balance on current account" and the "balance of trade" in this account. 4

22 State whether the following statements are true or false. Give valid reasons for your answers. 6

i. Unplanned inventories accumulate when planned investment is less than planned saving.
ii. Deflationary gap exists when aggregate demand is greater than aggregate supply at full employment level.
iii. Average propensity to save can never be negative.

23 C=100 + 0.4Y is the Consumption Function of an economy where C is Consumption Expenditure and Y is the National Income. Investment Expenditure is ₹1100. Calculate: 6

i. Equilibrium level of National Income

ii. Consumption Expenditure at equilibrium level of National Income.

OR

In an economy saving function is S= –200 + 0.25Y. The economy is in equilibrium when income is equal to ₹2000. Calculate:

(a) Investment expenditure at equilibrium level of income.

(b) Autonomous consumption

(c) Multiplier

24 From the following data calculate the Gross Domestic Product at Factor Cost by (a)Expenditure Method (b)Income Method 6

	ITEMS	₹ in crore
a.	Private final consumption expenditure	700
b.	Wages and salaries	700
c.	Employers contribution to social security scheme	100
d.	Gross Domestic fixed capital formation	160
e.	Profit	100
f.	Government final consumption expenditure	200
g.	Rent	30
h.	Change in stocks	20
i.	Exports	40
j.	Interest	40
k.	Imports	20
l.	Net factor income from aboard	(-)10
m.	Mixed income	100
n.	Depreciation	20
o.	Subsidies	10
p.	Indirect Taxes	20