

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 | How is law of demand expressed functionally? | 1 |
| | a) $D_x = f(P_x)$, ceteris paribus | |
| | b) $D_x = f(P_z)$, ceteris paribus | |
| | c) $D_x = f(Y)$, ceteris paribus | |
| | d) $D_x = f(T)$, ceteris paribus | |
| 2 | A firm is operating with a Total Variable Cost of ₹ 2000 when 5 units of the given output are produced and the Total Fixed Costs are ₹ 800, what will be the Average Total Cost of producing 5 units of output? | 1 |
| | a) 560 | |
| | b) 520 | |
| | c) 400 | |
| | d) 500 | |
| 3 | 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 | |

- 4 Elasticity of supply is greater than one when 1
- a) Proportionate change in quantity supplied is more than the proportionate change in price.
 - b) Proportionate change in price is greater than the proportionate change in quantity supplied.
 - c) Change in price and quantity supplied are equal.
 - d) None of them

- 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 ₹ 40 per unit to ₹ 60 per unit, the revenue of the firm producing this good rises from ₹ 200 to ₹ 600. 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 Explain the distinction between "change in quantity supplied" and "change in supply". Use diagram. 6

- 11 Suppose the demand and supply curves of salt are given by: 6
- $Q_d = 1000 - p$
 $Q_s = 700 + 2p$
- Find the equilibrium price and quantity
 - Now suppose that price of an input used to produce has increase so that the new supply curve is $Q_s = 400 + 2p$. How does the equilibrium price and quantity change?
 - 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:

$Q_d = 200 - 10p$, $Q_s = 50 + 15p$

- Find the equilibrium price and equilibrium quantity of commodity X.
 - Suppose that the price of a factor inputs used in prothecommodity has changed, resulting in the new supply curve given by the equation $Q_s' = 100 + 15p$
Analyse the new equilibrium price and new equilibrium quantity as against the original equilibrium price and equilibrium quantity.
- 12 6
- Why is Total Variable Cost curve inverse S- shaped?
 - 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 The exchange rate determined by the free play of the forces of demand and supply of foreign exchange is: 1
- Flexible exchange rate
 - Fixed exchange rate
 - Managed floating
 - None
- 14 State one fiscal measure that can be used to reduce the gap between rich and poor. 1
- 15 Current transactions are of _____ nature. 1
- Stock
 - Flow
 - Both flow and stock
 - None of the above

- 16 If disposable income is ₹ 1000 and saving is ₹ 250 find Average Propensity to consume. 1
- a) 75%
 b) 20%
 c) 50%
 d) 10%

- 17 Calculate Gross Value Added at Market Price from the following: 3

ITEMS	₹in lakhs
a. Intermediate cost	16
b. Closing stock	10
c. Sales	60
d. Net Indirect Taxes	12
e. Subsidy	2
f. Depreciation	6
g. Opening stock	8

- 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 relating to a firm (a) estimate the net value added at market prices (b) show that net value added at factor cost is equal to the sum of factor incomes: 6

Items	₹crore
Purchase of Raw materials and other inputs	1200
Increase in Stocks	400
Domestic Sales	3600
Imports of raw material	200
Exports	400
Depreciation of fixed capital	150
Salaries and wages	1200
Interest payments	900
Rent	150
Dividends	300
Undistributed Profit	160
Corporate profit tax	40
Indirect Taxes	100