

**COMMON PRE-BOARD EXAMINATION 2017-2018****ECONOMICS****CLASS XII**

Time Allowed: 3 hours

Maximum Marks: 80

General Instructions:

- Please check that this question paper contains 4 printed pages.
- Set number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.
- Please check this question paper contains 24 questions.
- Please write down the serial number of the question before attempting it.
- 15 minutes time has been allotted to read this question paper.
- All questions in both the sections are compulsory.
- Marks for questions are indicated against each question.
- Questions No.1-4 and 13-16 are very short-answer questions carrying 1 mark each. They are required to be answered in one sentence each.
- Questions No.5-6 and 17-18 are short-answer questions carrying 3 marks each. Answers to them should normally not exceed 60 words each.
- Questions No.7- 9 and 19-21 are also short-answer questions carrying 4 marks each. Answers to them should normally not exceed 70 words each.
- Questions No.10-12 and 22- 24 are long-answer questions carrying 6 marks each. Answers to them should normally not exceed 100 words each
- Answers should be brief and to the point and the above word limits should be adhered to as far as possible.

<b>SECTION- A</b>		
1	Which of the following is a statement of normative nature in economics? a) Economics is a study of choices/alternatives b) Government should be concerned with how to reduce unemployment c) According to an estimate in spite of severe shortage, more than 10% of houses in Indian cities are lying vacant. d) Accommodation of refugees is posing a big problem for the Europe.	1
2	What is meant by Total Physical Product?	1
3	Give an example of implicit cost.	1
4	Marginal Revenue of a firm is constant through under: (choose the correct alternative)	1

	<p>a) Monopoly  b) Monopolistic competition  c) Oligopoly  d) None of the above</p>	
5	<p>Define Marginal Rate of Transformation. Explain with a numerical example.  OR  Describe the central problem what to produce with the help of a Production Possibility Frontier.</p>	3
6	<p>Giving reason, state the impact of each of the following on demand curve of a normal good X if:</p> <p>a) Price of its complimentary good increases.  b) Income of consumer increases  c) Price of its substitute good decreases.  (Use suitable diagrams)</p>	1 1 1
7	<p>Price elasticity of demand for a good is (-) 2. The consumer buys a certain quantity of this good at a price of ₹ 8 per unit. When price falls he buys 50% more quantity. What is the new price?</p>	4
8	<p>What happens when the government fixes minimum price (price floor) for a product in the market? Explain with the help of a diagram.  OR  Explain with diagram chain effects of decrease in demand when supply remains unchanged.</p>	4
9	<p>Distinguish between contraction of supply and decrease in supply.</p>	4
10	<p>Why is the consumer in equilibrium when he buys that combination of two goods, in which one of the indifference curves tangent to the budget line? Explain, why the consumer is not selecting any other bundle on the budget line?  OR  a) Describe consumer equilibrium for a single good by utility approach.  b) A consumer consumes only two goods X and Y whose prices are ₹ 8 and ₹ 10 per unit respectively. If the consumer chooses a combination of two goods with Marginal Utility of X= 10 and that of Y = 8, is the consumer in equilibrium? Give reasons. What will a rational consumer will do in this situation? Use Utility analysis.</p>	6 2 4
11	<p>a) Why is TVC curve inverse 'S' shaped?  b) From the following information about a firm, find the firm's equilibrium output in terms of marginal cost and marginal revenue if TFC of the firm is Rs 5 crores. Give reasons.</p>	2 4

	Output (Units)	Total Revenue ( ₹ in crores)	Total Cost ( ₹ in crores)																					
	1	5	8																					
	2	10	13																					
	3	15	17																					
	4	20	22																					
	5	25	29																					
12	Describe the main features of monopolistic competition.			6																				
<b>SECTION B</b>																								
13	Supply of money refers to quantity of money a) As on 31 <sup>st</sup> March b) During any specified period of time c) As on any point of time d) During a fiscal year			1																				
14	Interest payments are subtracted from which deficit to arrive at primary deficit. a) Revenue Deficit b) Fiscal Deficit c) Capital Deficit d) Budgetary Deficit			1																				
15	Define CRR			1																				
16	Give an example each of: a) Revenue Receipts b) Capital Receipts			1																				
17	Complete the following table:			3																				
	<table border="1"> <thead> <tr> <th>Income (Y)</th> <th>MPC</th> <th>Savings (S)</th> <th>APC</th> </tr> </thead> <tbody> <tr> <td>0</td> <td></td> <td>(-)30</td> <td>---</td> </tr> <tr> <td>100</td> <td>0.75</td> <td>---</td> <td>---</td> </tr> <tr> <td>200</td> <td>0.75</td> <td>---</td> <td>---</td> </tr> <tr> <td>300</td> <td>0.75</td> <td>---</td> <td>---</td> </tr> </tbody> </table>				Income (Y)	MPC	Savings (S)	APC	0		(-)30	---	100	0.75	---	---	200	0.75	---	---	300	0.75	---	---
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18	Explain the equilibrium level of income with the help of saving and investment curves. If planned saving exceeds planned investment what changes will bring about the equality between them?  OR Explain the meaning of inflationary gap. Describe fiscal policy measures to rectify it.			3																				
19	What is government budget? Briefly explain the functions of government budget.  OR Describe the implications of revenue deficit.			4																				
20	a) State any two limitations of GDP as an indicator of economic welfare.			2																				

	<p>b) Complete the following table</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Nominal GDP</th> <th>Real GDP</th> <th>GDP deflator</th> </tr> </thead> <tbody> <tr> <td>2014-15</td> <td>6.5</td> <td>6.5</td> <td>---</td> </tr> <tr> <td>2015-16</td> <td>---</td> <td>6</td> <td>140</td> </tr> <tr> <td>2016-17</td> <td>9</td> <td>---</td> <td>125</td> </tr> </tbody> </table>	Year	Nominal GDP	Real GDP	GDP deflator	2014-15	6.5	6.5	---	2015-16	---	6	140	2016-17	9	---	125	2														
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21	Illustrate with the help of a hypothetical numerical example the process of credit creation.	4																														
22	<p>From the following data, calculate National Income by</p> <p>a) Income method</p> <p>b) Expenditure method</p> <table border="1"> <thead> <tr> <th></th> <th>( ₹ in lakhs)</th> </tr> </thead> <tbody> <tr> <td>Current transfers from rest of the world</td> <td>100</td> </tr> <tr> <td>Government final consumption expenditure</td> <td>1000</td> </tr> <tr> <td>Wages and salaries</td> <td>3800</td> </tr> <tr> <td>Dividend</td> <td>500</td> </tr> <tr> <td>Rent</td> <td>200</td> </tr> <tr> <td>Interest</td> <td>150</td> </tr> <tr> <td>Net domestic capital formation</td> <td>500</td> </tr> <tr> <td>Profits</td> <td>800</td> </tr> <tr> <td>Employers' contribution to social security schemes</td> <td>200</td> </tr> <tr> <td>Net imports</td> <td>50</td> </tr> <tr> <td>Net factor income to abroad</td> <td>30</td> </tr> <tr> <td>Consumption of fixed capital</td> <td>40</td> </tr> <tr> <td>Private final consumption expenditure</td> <td>4000</td> </tr> <tr> <td>Net indirect tax</td> <td>300</td> </tr> </tbody> </table>		( ₹ in lakhs)	Current transfers from rest of the world	100	Government final consumption expenditure	1000	Wages and salaries	3800	Dividend	500	Rent	200	Interest	150	Net domestic capital formation	500	Profits	800	Employers' contribution to social security schemes	200	Net imports	50	Net factor income to abroad	30	Consumption of fixed capital	40	Private final consumption expenditure	4000	Net indirect tax	300	6
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23	<p>a) Describe the two major components of Balance of Payments account.</p> <p>b) When a country is set to be in Balance of Payment Equilibrium?</p> <p>c) What do you mean by autonomous transactions in BOP?</p> <p style="text-align: center;">OR</p> <p>a) Explain with a diagram determination of exchange rate in a completely flexible foreign exchange market.</p> <p>b) Describe the effects of depreciation of currency on export.</p>	<p>4</p> <p>1</p> <p>1</p> <p>4</p> <p>2</p>																														
24	Explain saving function with the help of a schedule and diagram.	6																														