Pre Board Examination 2017
Std. 12
03-01-2017

| Set 1 |

Max. Marks : 100
Time : 3 hrs.

ECONOMICS

General Instructions:
i)   All questions in both the sections are compulsory.
ii)   Marks for questions are indicated against each.
iii)   Question Nos. 1 - 5 and 16 - 20 are very short answer questions carrying 1 mark each. They are required to be answered in one sentence. Write the correct option of MCQs on your answer sheet.
iv)   Question Nos. 6 - 8 and 21 - 23 are short answer questions carrying 3 marks each. Answers to them should normally not exceed 60 words each.
v)   Question Nos. 9 - 11 and 24 - 26 are also short answer questions carrying 4 marks each. Answers to them should normally not exceed 70 words each.
vi)   Question Nos. 12 - 15 and 27 - 30 are long answer questions carrying 6 marks each. Answers to them should normally not exceed 100 words each.
vii)   Answers should be brief and to the point and the above word limits should be adhered to as far as possible.

SECTION – A

Q1.   Which of these can be a reason for an outward parallel shift of the budget line?   (1)
    a)   Price of one good X falls
    b)   Government gives a cash grant
    c)   Price of both the goods rise in the same proportion
    d)   Government gives a subsidy on good Y.

Q2.   Define cost in economics.   (1)

Q3.   Change in supply refers to: (1)
    a)   An upward or downward movement along the supply curve.
    b)   An upward shift of supply curve.
    c)   A downward movement along the supply curve.
    d)   An upward or downward shift of the supply curve.

Q4.   Rent control is an example of: (1)
    a)   Price floor   b)   Equilibrium price
    c)   Price ceiling   d)   None of the above

Q5.   When the market price is greater than the equilibrium price there will be: (1)
    a)   Competition among consumers   b)   Fall in price
    c)   Neither (a) nor (b)   d)   Both (a) and (b)

Q6.   Demonetization announced by the government is expected to result in an inflow of foreign investments. Explain the effect of this move on India's PPC with the help of a diagram.   (3)

Q7.   Explain the problem of 'choice of technique' in an economy.   (3)

Q8.   Define an indifference map. Giving reasons compare the level of satisfaction on the following points:
    a)   Points A and B on an IC with point B to the right of point A.
    b)   Points C and D with point D on an IC to the right of the IC on which point C lies. (1+2)
                                    (OR)
    Define an indifference curve. Giving reasons Show the impact of the following using indifference curves:

a) A movement from a bundle to another which results in an increase in the units of both the goods.

b) A movement from a bundle to another which results in an increase in units of one good with a decrease in that of the other. (1+2)

Q9. The price elasticity of supply of a commodity is 2. When its price rises from Rs. 10/- per unit to Rs. 12/- per unit, its quantity supplied rises by 500 units. Calculate the quantity supplied at the increased price. (4)

Q10. Explain the relation between Total variable cost and marginal cost with the help of a schedule. (4)

(OR)

Giving reasons, state whether the following statements are true or false.

a) Average cost attains its minimum value when marginal cost is minimum.

b) When total revenue increases at a decreasing rate, marginal revenue also increases.

c) When output is zero the gap between total cost and total variable cost is zero.

d) When total revenue is a positively sloped straight line passing through the origin, demand curve is a rectangular hyperbola.

Q11. State three dissimilarities between Perfect Competition and Monopoly. In which form of market will you observe a high degree of mutual interdependence and why? (4)

Q12. A consumer consumes two goods X and Y. Explain the conditions of consumer's equilibrium using the cardinal utility approach. (6)

Q13. a) Distinguish between increasing returns to a factor and decreasing returns to a factor using a schedule.

b) Marginal revenue equals Marginal cost at a certain level of output. What should be a rational producer's reaction? Give reasons for your answer. Use diagram. (3+3)

Q14. The wages paid to agricultural labourers is very low. Discuss what can be done by the government to safeguard the interest of the workers. Using a diagram, explain its implications on the labour market. (6)

(OR)

The market for a commodity is in equilibrium. The government announces a heavy rebate on its eco-friendly substitute. Explain the changes that will take place in the equilibrium price and quantity. Use diagram. (6)

Q15. a) State whether the following are true or false. Give reasons for your answer.

i) Demand will be elastic if the good has no close substitutes.

ii) The value of elasticity of demand will remain the same on all points on a downward sloping straight line demand curve.

iii) Elasticity of demand is the ratio of change in quantity demanded to a change in price of a commodity.

b) Describe the difference between 'increase in demand' and 'increase in quantity demanded' with the help of schedules. (3+3)

SECTION – B

Q16. Define ' Balance of Visibles'. (1)

Q17. The RBI increases the ease with which interbank transactions can be settled. Which of the following functions of the central bank is reflected here? (1)

a) Banker's bank   b) Government's banker

c) Custodian of foreign exchange reserves   d) Clearing house function

Q18. 20% of all additional income in an economy is saved. Autonomous consumption is 100. What is the level of autonomous investment if the equilibrium level of income is 1000? (1)

Q19. Which of the following is not a capital expenditure? (1)
    a)   Loan given to state governments.   b)   National debt interest.
    c)   Repayment of loan taken from the World Bank.   d)   Purchase of land by railways.

Q20. What is meant by ex-ante investment? (1)

Q21. Explain the terms-injections and leakages in the context of circular flow of income. Use a two sector economy model with financial market. (3)

Q22. How does money solve the problem of double coincidence of wants of the barter system?

(OR)

Explain how money solves the problem of lack of a common unit of measurement of the barter system. (3)

Q 23. Describe the main components of capital account of BOP. (3)

Q24. Differentiate between Depreciation of rupee and Devaluation.

(OR)

A big rise in the foreign exchange rate can be detrimental to the growth of our economy. Explain how this rise can be managed and by whom in the interest of the economy. Use diagram. (4)

Q25. a)   As of now the deposits received by banks due to demonetization have to be Maintained by them as reserves. (100% incremental Reserve Ratio). What do you think will be the immediate impact of this move on the money supply of the economy?
    b)   Explain the relation between LRR and credit creation by banks using a numerical example. (1+3)

Q26. In an economy, the planned level of aggregate demand is less than the planned level of aggregate supply. Use a diagram to explain the changes that will take place in the economy. (4)

Q27. Use a numerical example to explain the relation between the value of the multiplier and –
    a)   Marginal propensity to consume.
    b)   Increase in output.

(OR)

Use diagrams to explain the difference between excess demand and deficient demand. (6)

Q28. a)   Government raises its expenditure on the production of public goods. Which objective of the government is reflected in this move? Explain.
    b)   Calculate the primary deficit using the given information- (3+3)

	Items	(Rs. in Crores)
1.	Revenue Receipts	2037
2.	Capital Receipts	1348
3.	Revenue Expenditures	2811
4.	Borrowings and other liabilities	1113
5.	Interest Payments	1013
6.	Capital Expenditures	574
7.	Recovery of loans and other receipts	235

Q29. a)   Explain how externalities are a limitation in taking GDP as an index of welfare.
    b)   What do you mean by GDP deflator? Calculate the nominal GDP if the real GDP is 2000 crores and the price index is 125. (3+3)

Q30.   Calculate
a)   Net national disposable income, and
b)   Personal disposable income: (2+4)

Items	(Rs. in crores)
Corporation tax	60
National income	1540
Net current transfers to rest of the world	(-)20
Interest on public debt	15
Current transfers from government	30
Indirect tax less subsidies	55
Miscellaneous receipts of government departments	20
Net factor income from abroad	(-) 10
Personal Tax	20
Consumption of fixed capital	40
Income from property and entrepreneurship accruing to the government depts	250
Savings of government non-dept enterprises	200
Savings of private sector	70

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