

CBSE MODEL TEST PAPER – 2010

Economics (Class XII)

Time Allowed : 3 Hours

Maximum Marks : 100

General Instructions :

- All questions in both the sections are compulsory.
- Marks for questions are indicated against each.
- Questions No. 1-5 and 17-21 are very short answer questions carrying, 1 mark each. They are required to be answered in one sentence each.
- Questions No. 6-10 and 22-26 are short-answer questions carrying, 3 marks each. Answers to them should normally not exceed 60 words each.
- Questions No. 11-13 and 27-29 are also short-answer question & carrying 4 marks each. Answers to them should normally not exceed 70 words each.
- Questions No. 14-16 and 30-32 are long-answer questions carrying 6 marks each. Answers to them should 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.

Part-A : MICROECONOMICS

- Q.1. Define implicit Cost with an example. [1]
Q.2. What is the meaning of Marginal rate of transformation? [1]
Q.3. Give the reason for the extension in supply. [1]
Q.4. What is meant by a perfectly inelastic demand curve? [1]
Q.5. Can AC be less than MC where AC is rising? [1]
Q.6. Why are there problems when there is a scarcity of resources? Explain. [3]
- OR
- Why is the PPC concave shaped? Explain with a schedule.
Q.7. When the price of wheat rises, what would be the impact on the supply of rice? [3]
Q.8. When the price change, what is the impact on Total Expenditure if $e_D > 1$, $e_D = 1$ and $e_D < 1$. [3]
Q.9. Complete the following data :

Q	TVC (Rs.)	AVC (Rs.)	MC (Rs.)
1	—	12	—
2	20	—	—
3	—	10	10
4	40	—	—

- Q.10. Determine the profit maximising level of output using TR-TL approach. [3]

Price	Q	ATC
8	1	7
7	2	6
6	3	5
5	4	4
4	5	3
3	6	2

- Q.11. If $e_D = -2$ and the price increases by Rs. 20, then what is the quantity demanded now when the price is Rs. 100? the quantity demanded earlier was 40 units. [4]
Q.12. The price elasticity of supply of good X is double that of good Y. A 20% rise in the price of good X results in a 50% increase in its supply. If these is a fall in price of good Y by 10%, calculate the % fall in its supply. [4]
Q.13. Explain two features of Monopolistic Competition. [4]
- OR
- Explain 2 differences between perfect Competition and Monopoly.
Q.14. Stating True/False, give reasons for the following : [6]
a) AFC can be zero
b) When output is zero, Total Cost is always zero.
c) When MPP is positive declining, TPP is also positive and declining.

- Q.15. Using the ordinal approach, explain how the consumer allocates his income between 2 goods to attain equilibrium. [6]
Q.16. Economists make inconsistent statements. They say that when price falls, demand rises and when demand falls, price also falls. Do you agree? Explain your answer. [6]
- OR

What happens to the market equilibrium of tea if the price of coffee decreases and there is also a decline in the excise duty of tea? Discuss the possible effects.

Part-B: MACROECONOMIC

- Q.17. If MPC is 4 times the mps, what is the value of the multiplier? [1]
Q.18. Name two tools of the Govt. fiscal policy. [1]
Q.19. Define Bank Rate. [1]
Q.20. What is the savings function when consumption function is $C = 100 + 0.65Y$. [1]
Q.21. What is the implication of a zero primary deficit? [1]
Q.22. What is fiscal deficit and what are its implications? [3]
Q.23. What is the meaning of Managed Floating exchange Rate regime? What is its basic demerit? [3]

- Q.24. Explain how commercial banks create credit through the multiplier mechanism. [3]
Q.25. Giving reasons categories the following into Revenue or Capital Receipts.
a) Recovery of Loans.
b) Corporation Tax
c) Sale of Postage Stamps [3]
Q.26. Calculate NVA at Factor Cost from the following data : [3] (Rs. Crore)
- | | |
|-------------------------------------|-----|
| a) Gross National Disposable Income | 200 |
| b) Intermediate Cost | 90 |
| c) Subsidies | 5 |
| d) Reduction in Stocks | 10 |
| e) Net factor Income from abroad | -10 |
| f) Sales | 150 |
| g) Net National Disposable Income | 180 |
| h) Imports | 10 |
| i) Exports | 7 |

OR

What precautions should be kept in mind in calculation of NI using the expenditure method?

- Q.27. Does the domestic currency value appreciate or depreciate when foreign tourism to India increases? Use diagram to explain. [4]
Q.28. What is meant by inflationary gap? Use diagram to explain in details. [4]
- OR

What is meant by underemployment equilibrium? Explain using diagram and list any two monetary policy measures which can remedy the situation.

- Q.29. Which of these are included in the National Income of the country? [6]
a) Profits earned by a foreign bank from its branch in India.
b) Purchase of machinery by a household.
c) Remittances from Indian citizen from abroad.
d) Commission earned by a broker on the sale of a house.
- OR

Which of the following are included in the Domestic Income of the Country?

- a) Income earned by an Indian resident from the US embassy located in India.
b) Earning of Citi Bank's branch located in Mumbai.
c) Old age pension provide by the government.
d) An Indian owned airplane operating between Muscat and Dubai.
Q.30. In an economy, $C = 500 + 0.87Y$ and investment expenditure = 1000, then calculate the following : [6]
a) Equilibrium level of National Income
b) Consumption expenditure at the equilibrium level of National Income
c) Value of the multiplier
Q.31. Calculate the private income and the personal disposable income : [6] (Rs. Crore)
- | | |
|--|-----|
| a) National income | 900 |
| b) Current Transfers from the Govt. admn. Departments. | 80 |
| c) Indirect Taxes | 85 |
| d) Subsidies | 15 |
| e) Current Transfers from Rest of the world | 30 |
| f) Savings of Non department enterprises | 40 |
| g) Corporation Tax | 20 |
| h) Direct Taxes paid to the Govt. of households | 45 |
| i) Property Income of the Govt. | 60 |
| j) Net factor income to abroad | 20 |
| k) National Debt Interest | 25 |

TIPS

- In the examination, read question paper carefully and select the questions to be answered which is well prepared in the order of your preparation.
- While writing you answer, stress upon the main points emphasis then by underlining to attract the attention of examiner.
- Whenever necessary, draw suitable and well diagram.
- Before submitting you answer book check you Roll No. and have a quick glance through your answer and have a look that you have attempted all the question.



S. Shekhar
Principal,
Translam Academy
International, Meerut