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**Sample Paper-03 (2016-17)**

**Economics**

**Class – XII**

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**Time allowed: 3 hours**

**Maximum Marks: 100**

**General Instructions:**

- (i) All questions in both sections are compulsory. However, there is internal choice in some questions.
  - (ii) Marks for questions are indicated against each question.
  - (iii) Question No.1-5 and 16-20 are very short answer questions carrying **1 mark** each. They are required to be answered in one sentence.
  - (iv) Question No.6-8 and 21-23 are short answer questions carrying **3 marks** each. Answers to them should not normally exceed 60 words each.
  - (v) Question No.9-11 and 24-26 are also short answer questions carrying **4 marks** each. Answers to them should not normally exceed 70 words each.
  - (vi) Question No.12-15 and 27-30 are long answer questions carrying **6 marks** each. Answers to them should not normally exceed 100 words each.
  - (vii) Answers should be brief and to the point and the above word limit be adhered to as far as possible.
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**Section A**

1. Budget line is:
  - (a) Parallel to X – axis
  - (b) Parallel to Y-axis
  - (c) Downward sloping line
  - (d) None of the above.
2. If price of goods-X rises and this leads to decrease in demand for goods-Y, how are the two goods related?
3. Total utility is maximum when MU is:
  - (a) positive
  - (b) Zero
  - (c) Negative
  - (d) None of the above.
4. How is the equilibrium price of a commodity affected when demand increases more than the supply?
5. When MU is negative, TU:
  - (a) Remains constant
  - (b) Increases
  - (c) Falls
  - (d) None of the above.
6. Define and draw production possibility curve. What does the movement along this curve show?
7. Total Fixed costs of a firm are Rs 100. Its average variable cost at different levels of output is given. Calculate total cost and marginal cost.

Output (units)	1	2	3	4
TVC (Rs.)	20	38	60	86

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8. Explain change in quantity supplied.
  9. What is meant by consumer equilibrium? State its condition in case of a single commodity.
  10. Which cost, fixed or variable, determines marginal cost? Give reasons.
  11. If the local pizzeria raises the price of medium pizza from Rs 60 to Rs 100 and quantity demanded falls from 700 to 100 pizzas a night, what is the price elasticity of demand for pizzas?
  12. Explain the three features of a monopoly market.
  13. How does a cost saving technological progress affect market price and the quantity exchanged of a commodity? Use diagram.
  14. At the market price of Rs 40, a firm supplies 400 units of output. When its price falls by 10 percent, the quantity supplied falls by 36 units. Calculate its elasticity of supply. Is its supply elastic.
  15. Define the price elasticity of demand. Discuss the factors affecting price elasticity of demand.

### Section B

16. Which of the following is a micro-economic study?
  - (a) Level of employment
  - (b) Aggregate demand
  - (c) Study of a cotton textile industry
  - (d) All of the above.
17. Which of the following is equal to National Income?
  - (a)  $GDP_{FC}$
  - (b)  $NNP_{FC}$
  - (c)  $NNP_{MP}$
  - (d) GNP
18. If inflation is higher in country A than in country B and the exchange rate between the two countries is fixed, what is likely to happen to trade balance of Country A?
  - (a) Trade balance of country A will be favourable
  - (b) trade balance of country A will be Unfavourable
  - (c) Trade balance of country A will be unaffected
  - (d) None of the above.
19. Which of the following is a capital receipt?
  - (a) Loan from the World Bank
  - (b) Recovery of loans
  - (c) Both are capital receipts
  - (d) Only (a) is capital receipts
20. Why can the value of marginal propensity to consume be not greater than one?
21. When will there be a situation of deficit demand in an economy? State two measures to correct it.
22. Explain why Public goods must be provided by the government?
23. From the following data about firm X, calculate gross value added at factor cost by it:

	(Rs. in thousands)
Sales	500
Opening stock	30
Closing stock	20
Purchase of intermediate products	300
Purchase of machinery	150
Subsidy	40

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24. State various general utility services provided by the commercial banks.
25. If you were the finance minister of India, which taxes would you prefer: direct or indirect taxes and why?
26. Define (i) Currency Deposit Ratio (Cdr) (ii) Reserve Deposit Ratio (rdr) (iii) High Powered Money.
27. Explain the steps involved in estimating national income by Income method. Also, explain some of the precautions taken in the income method.
28. What is foreign exchange rate? Distinguish between fixed and flexible exchange rate. State two merits each of fixed and flexible exchange rate.
29. Compare Excess Demand and Deficient Demand under following heads:
- (i) Meaning           (ii) Equilibrium level  
 (iii) Reason           (iv) Impact on output and employment  
 (v) Impact on price.
30. Given MPC = 0.8 and investment at all levels of income is Rs 40 crores, complete the following table:

Income	consumption	Savings	Investment	AD	AS = Y
0	60				
100					
200					
300					
400					
500					
600					

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