DESIGN OF QUESTION PAPER ECONOMICS

Class - XII

Marks – 100 Duration – 3 hrs.

1. Weightage by type of questions

Туре	Number of	Mark	Total	Estimated time a
	questions			candidate is expected
				to take to answer
Long answer questions	6	6	36	60 minutes
Short answer questions I	6	4	24	36 minutes
Short answer questions II	10	3	30	50 minutes
Very short answer questions	10	1	10	15 minutes

2. Weightage by content

Unit No	Unit Sub-Units	Marks
1	Introduction	4
2	Consumer Equilibrium and Demand	18
3	Producer Behaviour and Supply	18
4	Forms of Market and Price determination	10
6	National income and related aggregates	15
7	Money and Banking	8
8	Determination of Income and employment	12
9	Government Budget and the economy	8
10	Balance of Payment	7
	Total	100

3. Difficulty level of the question paper

Level	Marks	% age of the total marks
A. Easy	30	30
(Can be attempted satisfactorily by students who		
have gone through the study material)		
B. Average	50	50
(Can be attempted by students who have regularly		
studied the study material but may not have given		
sufficient time to writing.		
C. Difficult	20	20
(Can be attempted by top students)		

4. Scheme of Options

There is no overall choice. However, there is an internal choice in one question of 6 marks, one question of 4 marks and one question of 3 marks in each section. Thus there will be internal choice to 6 questions.

SAMPLE QUESTION PAPER 1

ECONOMICS

Class XII

Maximum Marks: 100 Time: 3 hours

BLUE PRINT

Sl. No.	Forms of Questions Content Unit	Very Short (1 Mark)	Short Answer (3,4 Marks)	Long Answer (6 Marks)	Total
1.	Unit 1	1 (1)	3 (1)	-	4 (2)
2.	Unit 2	1 (2)	3 (2) 4 (1)	6(1)	18 (6)
3.	Unit 3	1 (1)	3 (1) 4 (2)	6 (1)	18 (5)
4.	Unit 4	1 (1)	3 (1)	6 (1)	10 (3)
5.	Unit 6	-	3 (3)	6 (1)	15 (4)
6.	Unit 7	1 (2)	-	6 (1)	8 (3)
7.	Unit 8	1 (2)	4 (1)	6 (1)	12 (4)
8.	Unit 9	-	4 (2)	-	8 (2)
9	Unit 10	1 (1)	3 (2)	-	7 (3)
	Sub-Total	10 (10)	30 (10) 24 (6)	36 (6)	100 (32)

Notes: Figures within brackets indicate the number of questions and figures outside the brackets indicate Marks for each question.

Sample Question Paper – I

Economics

Class - XII

Time – 3 Hours. Maximum Marks – 100

Instructions

- 1. All questions in both the sections are compulsory.
- 2. Marks for questions are indicated against each.
- 3. Question Nos. 1-5 and 17-21 are very short-answer questions carrying 1 mark each. They are required to be answered in one sentence each.
- 4. Question Nos. 6-10 and 22-26 are short-answer questions carrying 3 marks each. Answer to them should not normally exceed 60 words each.
- 5. Question Nos. 11-13 and 27-29 are also short-answer questions carrying 4 marks each.

 Answer to them should not normally exceed 70 words each.
- 6. Question Nos. 14-16 and 30-32 are long-answer questions carrying 6 marks each. Answer to them should not normally exceed 100 words each.
- 7. Answer should be brief and to the point and the above word limit be adhered to as far as possible.

Section A

1.	State two features of resources that give rise to an economic problem.	(1)
2.	What happens to total expenditure on a commodity when its price falls and its demand is price elastic?	(1)
3.	What happens to equilibrium price of a commodity if there is an 'increase' in its demand and 'decrease' in its supply?	(1)
4.	Give the meaning of equilibrium price.	(1)
5.	What is meant by cost in economics?	(1)
6.	State any three factors that cause an 'increase' in demand of a commodity.	(3)
7.	What will be the price elasticity of supply at a point on a positively sloped, straight line supply curve?	(3)
8.	Explain the shape of a production possibility frontier.	(3)



Explain the Central problem "how to produce."

- 9. How does the nature of a commodity influence its price elasticity of demand? (3)
- Explain the changes that will take place in the market for a commodity if the 10. prevailing market price is less than the equilibrium price. (3)
- Calculate the price elasticity of demand for a commodity when its price increases

 11. by 25% and quantity demanded falls from 150 units to 120 units. (4)

Explain the relation between marginal revenue and average revenue when a firm is able to sell more quantity of output

- (i) at the same price.
- (ii) only by lowering the price.

12.
$$\mathbf{OR}$$

Explain the effect of the following on the supply of a commodity:

- (a) Fall in the prices of factor inputs.
- (b) Rise in the prices of other commodities.

On the basis of the information given below, determine the level of output at which the producer will be in equilibrium. Use the marginal cost – marginal revenue approach. Give reasons for your answer.

	Output (Units)	Average Revenue (Rs)	Total Cost (Rs)	
13.	1	7	8	(4)
10.	2	7	15	(1)
	3	7	21	
	4	7	26	
	5	7	33	
	6	7	41	

Why does the difference between Average Total Cost and Average Variable Cost

decrease with an increase in the level of output? Can these two be equal at some

level of output? Explain.

(6)

Explain the implications of the following features of perfect competition:

15. (a) large number of buyers and sellers (6)

(b) freedom of entry and exit of firms



For a consumer to be in equilibrium why must marginal rate of substitution be equal to the ratio of prices of the two goods?

OR

Why is the consumer in equilibrium when he buys only that combination of the two goods that is shown at the point of tangency of the budget line with an indifference curve? Explain. (6)

For Blind Candidates in lieu of choice question of question No. 16

Explain how a consumer consuming two commodities X and Y attains equilibrium under the utility approach.

Section B

17.	Give the meaning of involuntary unemployment.	(1)

- 18. What is the relationship between marginal propensity to save and marginal (1) propensity to consume?
- 19. The price of 1 US Dollar has fallen from Rs 50 to Rs 48. Has the Indian currency (1) appreciated or depreciated?
- 20. State the two components of money supply. (1)
- 21. What is meant by cash reserve ratio? (1)
- 22. From the following data relating to a firm, calculate its net value added at factor (3) cost:

		(Rs in Lacs)
(i)	Subsidy	40
(ii)	Sales	800
(iii)	Depreciation	30
(iv)	Exports	100
(v)	Closing stock	20
(vi)	Opening stock	50
(vii)	Intermediate purchases	500
(viii)	Purchase of machinery for own use	200
(ix)	Import of raw material	60



- 23. Give the meaning of Nominal GDP and Real GDP. Which of these is the indicator (3) of economic welfare?
- 24. 'Machine' purchased is always a final good.' Do you agree? Give reasons for your (3) answer.
- 25. Explain the effect of depreciation of domestic currency on exports. (3)

OR

Explain the effect of appreciation of domestic currency on imports.

- 26. Distinguish between the current account and capital account of balance of (3) payments account. Is import of machinery recorded in current account or capital account? Give reasons for your answer.
- 27. What is a government budget? Give the meaning of: (4)
 - a) Revenue deficit
 - b) Fiscal deficit
- 28. Categories the following government receipts into revenue and capital receipts. (4) Give reasons for your answer.
 - (a) Receipts from sale of shares of a public sector undertaking.
 - (b) Borrowings from public.
 - (c) Profits of public sector undertakings.
 - (d) Income tax received by government.
- 29. Explain the meaning of equilibrium level of income and output using savings and (4) investment approach. Use a diagram.

OR

Complete the following table:

Income	Saving	Marginal Propensity	Average Propensity
		to Consume	to Consume
0	-20	-	-
50	- 10		
100	0		
150	30		
200	60		



For Blind Candidates in lieu of Question 29

Explain the meaning of equilibrium level of income and output using savings and investment approach.

- 30. Explain the process of money creation by commercial banks. (6)
- 31. Draw a straight line consumption curve. From it derive a savings curve explaining (6) the process. Show on this diagram:
 - (a) the level of income at which Average Propensity to Consume is equal to one.
 - (b) a level of income at which Average Propensity to Save is negative.

For Blind Candidates in lieu of Question 31

Explain the meaning of underemployment equilibrium. State two policy measures that the government can take to make the economy reach full employment equilibrium.

32. From the following data calculate National Income by Income and Expenditure (6) methods:

	(Rs crores)
(i) Government final consumption expenditure	100
(ii) Subsidies	10
(iii) Rent	200
(iv) Wages and salaries	600
(v) Indirect taxes	60
(vi) Private final consumption expenditure	800
(vii) Gross domestic capital formation	120
(viii) Social security contributions by employers'	55
(ix) Royalty	25
(x) Net factor income paid to abroad	30
(xi) Interest	20
(xii) Consumption of fixed capital	10
(xiii) Profit	130
(xiv) Net exports	70
(xv) Change in stock	50

OR



Calculate Gross National Disposable Income and Personal Income from the given data:

	(Rs crores)
(i) Personal tax	120
(ii) Net indirect tax	100
(iii) Corporation tax	90
(iv) National income	1000
(v) Net factor income from abroad	5
(vi) Consumption of fixed capital	50
(vii) National debt interest	70
(viii) Retained earnings of private corporate sector	40
(ix) Net current transfers to the rest of the world	(-)20
(x) Current transfers from government	30
(xi) Share of government in national income	80

Marking Scheme for Sample Question Paper 1

Section A

The two features of resources that give rise to an economic problem are

1.		$\frac{1}{2}$ x2
1.	(i) resources are limited and (ii) they have alternative uses.	72 XZ
2.	Total expenditure will increase.	1
3.	Equilibrium price will increase.	1
4.	It is the price at which market demand and market supply are equal.	1
5.	Cost of producing a good is the sum of actual expenditure on inputs and the	1
5.	imputed expenditure on the inputs supplied by the owner.	1
	The factors causing an increase in demand of a commodity are:	
	(i) Rise in the price of substitute goods.	
	(ii) Fall in the price of complementary goods.	
6.	(iii) Rise in income of its buyers (in case of a normal good).	
0.	(iv) Fall in income of its buyers (in case of an inferior good).	
	(v) Favourable change in taste etc for the good.	
	(vi) Increase in the number of its buyers.	1x3
	(Any three)	
7.	Es = 1, at any point on the supply curve if it touches the origin when extended.	



Es >1, at any point on the supply curve if it touches the y-axis when extended.

Es<1, at any point on the supply curve if if it touches the x-axis when extended.

1x3

3

Note: This question if answered with the help of diagrams will also be treated as correct.

Production Possibility Frontier (PPF) is a downward sloping, concave curve. It shows increasing Marginal Rate of Transformation (MRT) as more quantity of one good is produced by reducing quantity of the other good. This behaviour of the MRT is based on the assumption that all resources are not equally efficient in production of all goods. As more of one good is produced, less and less efficient resources have to be transferred to the production of the other good which raises marginal cost i.e. MRT.

OR

'How to produce' is the problem of choosing the technique of production. Techniques are broadly classified into capital intensive and labour intensive. The problem is to use capital intensive technique in which more of capital goods like machines, etc. are used, or to use labour intensive technique in which more of labour is used.

1½

 $1\frac{1}{2}$

A commodity for a person may be a necessity, a comfort or a luxury.

When a commodity is a necessity its demand is generally inelastic.

9. When a commodity is a comfort its demand is generally elastic.

8.

When a commodity is a luxury its demand is generally more elastic that the demand for comforts.

1x3

When price is lower than equilibrium price, market demand is greater than market supply. This will result in competition among buyers. The price will rise.

A rise in price will reduce the demand and raise the supply. This will reduce the original gap between market demand and market supply. These changes will continue till price rises to a level at which market demand is equal to market supply. This is the equilibrium price.

3

 $E_{d} = ------$ 11. $percentage \ change \ in \ demand$ $percentage \ change \ in \ price$

1½

2



2

2

$$= \frac{\frac{-30}{150} \times 100}{25}$$

= -0.8

- (i) Price is constant. As price means average revenue, so average revenue is also constant. Average revenue is constant only when marginal revenue is equal to average revenue. Thus, when a firm is able to sell more quantity of output at the same price marginal revenue is equal to average revenue.
- (ii) If more can be sold only by lowering the price, it means that average revenue falls as more is sold. Average revenue falls only when marginal revenue is less than average revenue. Thus, when a firm is able to sell more quantity by lowering the price, marginal revenue will be less than the average revenue.

12.

OR

- (i) When the prices of factor inputs decreases, the cost of production decreases.Thus, it becomes more profitable to produce the commodity and so its supply will increase.
- (ii) When the prices of other goods rise, it becomes relatively more profitable to produce these goods in comparison to the given good. This results in diversion of resources from the production of given good to other goods. So, the supply of the given good decreases.

	Output (units)	AI	R (Rs)	TC (Rs)	MC (Rs)	MR (Rs)	
	1	7	8	8	7		
	2	7	15	7	7		
	3	7	21	6	7		
13.	4	7	26	5	7		
	5	7	33	7	7		
	6	7	41	8	7		1

The producer achieves equilibrium at 5 units of output. It is because this level of



1

3

3

3

3

2

3

output satisfies both the conditions of producer's equilibrium:

14. output.

- (i) Marginal cost is equal to marginal revenue.
- (ii) Marginal cost becomes greater than MR after this level of output.

 Average Total Cost (ATC) minus Average Variable Cost (AVC) is equal to Average Fixed Cost (AFC). AFC = TFC / Output. As the level of output increases, AFC falls. So, the difference between ATC and AVC decreases with increase in

ATC and AVC can never be equal at any level of output as AFC can never be zero because TFC is positive.

- (a) The number of sellers is so large that the share of each is insignificant in the total supply. Hence, an individual seller cannot influence the market price. Similarly, a single consumer's share in total purchase is so insignificant because of their large numbers that she cannot influence the market price on her own.
- (b) The implication is that firms will earn only normal profit in the long run. In the short run, there can be abnormal profits or losses. If there are abnormal profits, new firms enter the market. The total market supply increases, resulting in a fall in market price and a fall in profits. This trend continues till profits are reduced to normal.

Similarly, if there are losses, firms start exiting. The total market supply decreases resulting in a rise in market price, and a reduction in losses. This trend continues till losses are wiped out.

Let the two goods be X and Y. MRSxy is the number of units of Y the consumer is willing to sacrifice to obtain one extra unit of X. The ratio of prices is Px/Py which also equals the ratio of the number of units of Y required to be sacrificed to obtain one extra unit of X in the market.

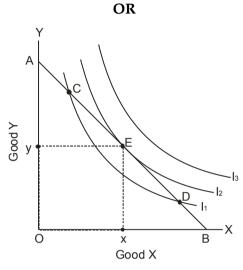
16. Initially when the consumer starts purchases, MRSxy is greater than Px/Py. It means that to obtain one extra unit of X the consumer is willing to sacrifice more than he has to sacrifice actually. The consumer gains. As he goes on obtaining more and more units of X, marginal utility of X goes on declining. Therefore the consumer is willing to sacrifice less and less of Y each time he obtains one extra unit of X. As a result MRSxy falls and ultimately becomes equal to Px/Py at some



combination of X and Y. At this combination the consumer is in equilibrium.

If the consumer attempts to obtain more units of X beyond the equilibrium level, MRSxy will become less than Px/Py and he will start losing. So he will not try to obtain more of X.

1



2

Let the two good be X and Y as shown in the diagram. The tangency is at point E where :

Slope of indifference curve = Slope of budget line

Or

MRSxy = Px/Py

The equilibrium purchase is Ox of X and Oy of Y on the indifference curve I₂.

2

The consumer cannot get satisfaction level higher than I_2 because his income does not permit him to move above the budget line AB. The consumer will not like to purchase any other bundle on the budget line AB, for example the bundle at C and D, because they all lie on the lower indifference curve, and give him lower satisfaction. Therefore, the equilibrium choice is only at the tangency point E.

2

For Blind candidates in lieu of choice question of Q. No. 16

A consumer will attain equilibrium if he allocates his given income on purchase of goods X and Y in a manner that gives him maximum satisfaction.

He will get maximum satisfaction if he buys only that quantity of each good that gives him same utility from the last rupee spent on each good.



2

2

2

In other words, M.U.x must be equal to M.U.y

Px Py

M.U.y

If ----- is not equal to ----- then the consumer is not in equilibrium. If

Px Py

M.U.x M.U.y

-----> ------ then per rupee M.U.x > per rupee M.U.y. He will buy more of Px Py

X and less of Y. This will reduce M.U.x and increase M.U.y. These changes will continue till M.U.x M.U.y

----- = ----- and he will be in equilibrium.

Px Py

Section B

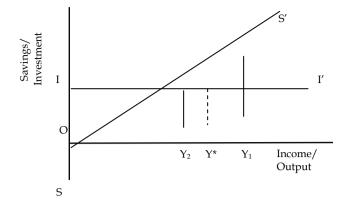
- 17. Involuntary unemployment occurs when those who are able and willing to 1 work at the prevailing wage rate do not get work.
- 18. The sum of MPC and MPS is equal to one.
- 19. Indian currency has appreciated.
- 20. The two components of money supply are: currency held with the public and demand deposits with commercial banks.
- 21. Cash reserve ratio is the ratio of bank deposits that commercial banks must 1 keep as reserves with the Central bank.
- 22. NVAfc = (ii) + (v) (vi) (vii) (iii) + (i)= 800 + 20 - 50 - 500 - 30 + 40
 - = Rs 280 lakhs ½
- 23. Nominal GDP values the current year's output in an economy at current year 1 prices.
 - Real GDP values the current year's output in an economy at base year prices. 1
 - Real GDP is the indicator of economic welfare. 1



24. Whether 'machine' is a final good or not depends on how it is being used. 1 If the machine is bought by a household, then it is a final good. 1 If the machine is bought by a firm for its own use, then also it is a final good. 1 If the machine is bought by a firm for re-sale then it is an intermediate good. 25. Depreciation of domestic currency mean a fall in the price of domestic currency (say rupee) in terms of a foreign currency (say \$). It means one \$ can be exchanged for more rupees. So with the same amount of dollars more of goods can be purchased from India. It means exports to USA have become cheaper. They may result in increase of exports to USA. OR Appreciation of domestic currency means a rise in the price of domestic currency (say rupee) in terms of a foreign currency (say \$) It means one rupee can be exchanged for more \$. So with the same amount of money (Rupees) more goods can be purchased from USA. It means imports from USA have 3 become cheaper. They may result in increase of imports (from USA). 1 26. The current account records transactions relating to the export and import of goods and services, income and transfer receipts and payments during a year. The capital account records transactions affecting foreign assets and foreign 1 liabilities during a year. Since import of machinery is an import of good, it is recorded in the current 1 account. 1 27. Government budget is a statement of expected receipt and expenditure of the government during a financial year. (a) Revenue deficit is the excess of revenue expenditure over revenue $1\frac{1}{2}$ receipts (b) 1½ Fiscal deficit is the excess of total expenditure over total receipts excluding borrowings. 28. 1 (a) It is a capital receipt as it results in a reduction of assets. 1 (b) It is a capital receipt as it creates a liability. 1 (c) It is a revenue receipt as it neither creates a liability nor reduces any asset. (d) It is a revenue receipt as it neither creates a liability nor reduces any asset. 1 29. 1 The equilibrium level of income and output is that level at which planned

saving and planning investment are equal.





1

1

At an income level OY₁, planned savings are greater than planned investment. This means that households aggregate expenditure is less than output. As a result inventories increase. Firms, seeing a build up of unplanned inventories start cutting production, and hence output, income and savings fall. This process continues till planned savings and planned investment are equal.

At an income level OY₂, planned savings are less than planned investment. This means that aggregate expenditure is more than output. Firms, seeing a depletion of planned inventories step up production, and hence output and income increase. Savings increase. This process continues till planned savings and planned investment are equal.

OR

Income	$\Delta \mathbf{Y}$	Saving	Const	umptio	n ΔC	MPC	APC	
0		-20		20		-	-	
50	50	- 10		60	40	0.8	1.2	½x8
100	50	0		100	40	0.8	1	
150	50	30		120	20	0.4	0.8	
200	50	60		140	20	0.4	0.7	4

For Blind Candidates in lieu of Question No.29

Same as above except diagram.



30. Money creation (or deposit creation or credit creation) by the banks is determined by (1) the amount of the initial fresh deposits and (2) the Legal Reserve Ratio (LRR), the minimum ratio of deposit legally required to be kept as cash by the banks. It is assumed that all the money that goes out of banks is redeposited into the banks.

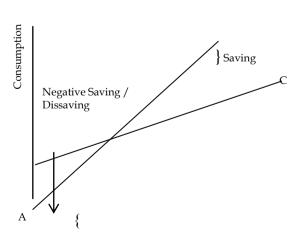
Let the LRR be 20% and there is a fresh deposit of Rs. 10,000. As required, the banks keep 20% i.e. Rs. 2000 as cash. Suppose the banks lend the remaining Rs. 8000. Those who borrow use this money for making payments. As assumed those who receive payments put the money back into the banks. In this way banks receive fresh deposits of Rs. 8000. The banks again keep 20% i.e. Rs. 1600 as cash and lend Rs. 6400, which is also 80% of the last deposits. The money again comes back to the banks leading to a fresh deposit of Rs. 6400. The money goes on multiplying in this way, and ultimately total money creation is Rs. 50000.

Given the amount of fresh deposit and the LRR, the total money creation is:

Total money creation = Initial deposit
$$x$$
 ----- 6

LRR

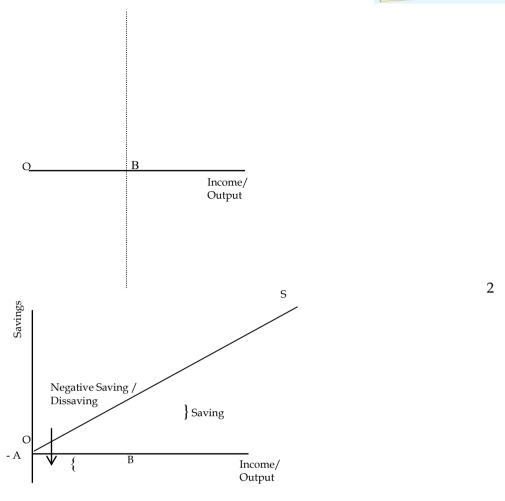
31.





1

4



AC is the consumption curve and OA is the consumption expenditure at zero level of income.

Income minus consumption is savings. When income is zero, the economy's consumption level is OA. Thus, the corresponding level of savings is –OA.

So, A is the starting point of saving curve

At OB level of income consumption is equal to income, so savings are zero. So B is another point on saving curve

Joining A and B and extending we get the saving curve S.

- (a) The level of income at which APC is equal to one is OB
- (b) A level of income at which APS is negative is the level less than OB.



1

For Blind Candidates in lieu of Question No. 31

An economy is in equilibrium when aggregate demand is equal to aggregate supply. If aggregate demand is only sufficient to support a level of aggregate supply at less than full employment, then the economy is in under full employment equilibrium.

The two policy measures that the government can take are:

- (i) Increase government expenditure
- (j) Increase availability of credit

32. Income Method

National Income =
$$iv + viii + (iii + ix) + xi + xiii - x$$
 1
= $600 + 55 + (200 + 25) + 20 + 130 - 30$ 1½
= Rs 1,000 crores

Expenditure Method

National Income =
$$vi + i + vii + xiv - v + ii - xii - x$$
 1
= $800 + 100 + 120 + 70 - 60 + 10 - 10 - 30$ 1½
= Rs 1,000 crores

OR

GNDI =
$$iv + ii + vi - ix$$
 1
= $1000 + 100 + 50 - (-20)$ 1½
= Rs 1170 crores ½

Personal Income =
$$(iv - xi) + (vii - ix + x) - viii - iii$$
 1
= $1000 - 80 + 70 - (-20) + 30 - 40 - 90$ 1½
= Rs 910 crores



Sample Question Paper I Economics Class XII

Max. Marks - 100

Time: 3 hrs.

Question wise Analysis

S. No. Unit No.		Marks	Estimated	Estimated	
of Q.		allotted	Time (Min)	difficulty level	
1	1	1	1½	A	
2	2	1	1½	В	
3	4	1	1½	A	
4	4	1	1½	A	
5	3	1	1½	С	
6	2	3	5	A	
7	3	3	5	A	
8	1	3	5	A	
9	2	3	5	A	
10	4	3	5	В	
11	2	4	6	A	
12	3	4	6	В	
13	3	4	6	В	
14	3	6	10	В	
15	4	6	10	В	
16	2	6	10	C	
17	8	1	1½	A	
18	8	1	1½	A	
19	10	1	1½	C	
20	7	1	1½	A	
21	7	1	1½	A	
22	6	3	5	В	
23	6	3	5	A	
24	6	3	5	В	
25	10	3	5	В	
26	10	3	5	В	
27	9	4	6	A	
28	9	4	6	В	
29	8	4	6	В	
30	7	6	10	С	
31	8	6	10	С	
32	6	6	10	В	

Reference for difficulty level

A	Easy	30%	30 Marks
В	Average	50%	50 Marks
C	Difficult	20%	20 Marks