

S.F.D.A.V. Public School, Muzaffarnagar

Class-XII

Subject-Economics

Question Bank

MICRO QUESTION'S

(Q1) What are the three central problem of an economy ?

or

What are the problem relating to allocation of resources ?

or

Explain problem of “what to produce/ choice of goods to be produced” with the help of example and PPC?

or

Explain problem of how to produce/choice of technique ” with the help of example and PPC ?

or

When is allocation of resources considered inefficient in an economy ?

(Q2) What do you mean by Economics problem and why there is need for economising of resources ?

or

What are the causes of Central Problem or economic problem ? or Why does they arises ?

or

Do rich countries also face central problems ? Give reasons.

or

Do all economics have same type of central problem ? Comment

(Q3) With the help of a hypothetical table show PPC ? Why does it is concave sloping and downward sloping ?

or

Define Marginal Opportunity Cost / Marginal rate of transformation. Explain the concept with a hypothetical numerical example.

(Q4) Draw PPC and show (i) Full employment / efficient use of resources

(ii) Inefficient / Under-utilisation of resources

(iii) Growth of resources

or

Explain its effect of the following on PPC

(a) Production in an economy is below its potential due to unemployment . Govt. starts income generation schemes .

(b) Economic slowdown in some parts of the world has adversely affected demand for Indian exports

(c) The government has started promoting foreign capital.

(d) Large no. of technical training institutions have been started by the government.

(e) Govt establishes a Large number of institute of science and technology

(f) there is widespreas flood or any other natural calamity

(g) launching of 'Clean India Mission' (Swachh Bharat Mission)

(h) large scale outflow of foreign capital

(i) "Make in India" appeal to the foreign investors by the Prime Minister of India

(j) efforts towards reducing unemployment

(k) efforts for Widespread of education

(l) launching of 'Digital India' programme

(m) Massive Unemployment in the country

(Q5) How many units of a commodity consumer should buy to get maximum utility ?

Explain with numerical example

or

Given the market price of good, how does a consumer decide as to how many units of that good to buy? Explain

or

Given below is the utility schedule of a consumer for commodity X. The price of the commodity is Rs. 6 per unit. How many units should the consumer purchase to maximize satisfaction? (Assume that utility is expressed in utils and 1 util = Re. 1). Give reasons for your answer.

<b>Consumption (units)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
<b>Total utility (utils)</b>	<b>10</b>	<b>18</b>	<b>25</b>	<b>31</b>	<b>34</b>	<b>34</b>
<b>Marginal utility (utils)</b>	<b>10</b>	<b>8</b>	<b>7</b>	<b>6</b>	<b>3</b>	<b>0</b>

(Q6) Explain the concept of consumer equilibrium with the help of marginal utility schedule (when consumer is buying two commodity)

or

Explain how a consumer consuming two commodity X and Y attains equilibrium under utility approach?

or

For a consumer to be in equilibrium ratio of utilities of good must be equal to the ratio of prices of the two goods ? Explain

(Q7) A consumer consumes only two goods X and Y and is in equilibrium. Price of X falls. Explain the reaction of the consumer through the Utility Analysis.

or

A consumer consumes only two goods X and Y whose prices are Rs.2 and Rs.1 per unit respectively. If the consumer chooses a combination of the two goods with marginal utility of X being 4 and that of Y also being 4, is the consumer in equilibrium? Give

reasons. Explain what will a rational consumer do in this situation. Use marginal utility analysis.

(Q8) Explain why is an indifference curve (a) downward sloping and (b) convex.

OR

Explain the concept of 'Marginal Rate of Substitution' with the help of a numerical example. Also explain its behaviour along an indifference curve.

(Q9) 'Higher indifference curve represents higher level of satisfaction to the consumer'.

Explain the statement, also state the underlying assumption related to this property of indifference curve.

(Q10) Define a budget line. ? Why it is downward sloping

(Q11) What is budget set ? Explain what can lead to change in budget set or When can it shift to the right

(Q12) 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.

or

Show diagrammatically the conditions for consumer's equilibrium, in Hicksian analysis of demand.

(Q13) State the conditions of consumer's equilibrium in the Indifference Curve Analysis and explain the rationale behind these conditions.

"or

A consumer consumes only two goods. For the consumer to be in equilibrium why must Marginal Rate of Substitution between the two goods must be equal to the ratio of prices of these two goods ? Is it enough to ensure equilibrium ?

or

A consumer consumes only two goods, each priced at rupee one per unit. If the consumer chooses a combination of the two goods with marginal rate of substitution equal to 2, is the consumer in equilibrium? Give reasons. Explain what will a rational consumer do in this situation.

(Q14) Explain the difference between cardinal utility and ordinal utility. Give example in each case. Which of these is better approach and why ?

(Q15) How is demand for a commodity effected by rise in "price of related commodity" ? What is the relation between good x and good y in each case, if with a fall in price of x demand for good y (i) rises (ii) falls. Give reason.

or

On 19 December 2013, the following news item was printed in the Economic Times :

*"Households in Southern India prefer to eat oranges for breakfast as banana plantations in Kerala have been destroyed and prices of apples and grapes have also risen."*

Analyse the impact of the rise in price of apples and grapes on the market of oranges.

(Q16) How is demand for a commodity effected by change in “income of the consumer ” ? Explain the difference between (i) inferior goods and normal goods Give example in each case.

or

A good is an ‘inferior’ good for one and at the same time ‘normal’ good for another consumer. Do you agree ? Explain.

(Q17) Explain any three factors that causes rightward shift of demand curve ?

or

Explain with diagram the effect of following changes on demand of commodity

(i) Fall in price of substitute good

(ii) Rise in income of consumer

(iii) Fall in income if commodity is inferior

(iv) Rise in price of complementary good / Unfavourable change in taste of buyer.

(Q18) Differentiate between “Change in Demand” and “Change in Quantity Demanded”? (or part thereof like Expansion in demand and Decrease in demand ?

(Q19) State three reasons behind law of demand ?

or

Explain the inverse relationship between the price of a commodity and its demand

(Q20) Derive the inverse relation between price of good and its demand from the single commodity equilibrium condition “ Marginal Utility = Price”

or

Show that price and demand of a commodity are inversely related ? Use utility analysis

(Q21) “If a product price increases a family spending on product has to increase”? Defend or Refute.

or

A consumer buys 8 units of a good at a price of Rs.7 per unit. When price rises to Rs. 8 per unit he buys 7 units. Calculate price elasticity of demand through the expenditure approach. Comment upon the shape of demand curve based on this information.

or

Suppose the price elasticity of demand is  $(-0.2)$  .How will the expenditure on the good be affected if there is a 10 % increase in the price of good ?

(Q22) Draw a straight line demand curve , locate three points on it and mention their elasticity ? (Geometric method of measuring Elasticity of Demand)

or

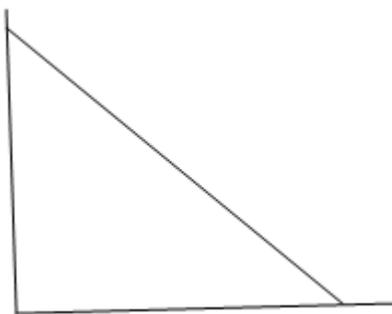
The diagram shows AE is the demand curve of a commodity. On the basis of this diagram, state whether the following statements are true or false. Give reasons for your answer :

(a) Demand at point B is price inelastic.

(b) Demand at point C is more price elastic than at point B.

(c) Demand at point C is price elastic.

(d) Price elasticity of demand at point C is greater than the price elasticity of demand at point “D”



(Q23) How does the following effect Price elasticity of demand

- (a) Nature of goods
- (b) Availability of close substitute
- (c) Own price of good

(Q24) Explain meaning of increasing return to factor ? Also explain reason for increasing return to factor ?

(Q25) Explain the behaviour of Total product and marginal Product when for increasing production only one input is increased while all other inputs are kept constant ?

or

When a firm tries to increase its output by increasing quantity of only one factor of production ?

or

Identify different phases of the law of variable proportions from the following schedule ? also give reason for each phase

<b>Variable input</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>TPP</b>	<b>4</b>	<b>9</b>	<b>13</b>	<b>15</b>	<b>12</b>

(Q26) All the input , used in the production of a good are increased in the same proportion. What are its possible effects on total physical product ? Explain using numerical example.

or

Explain the effects on output when all are variable inputs and increased in same proportion ?

(Q27) Differentiate between return to factor and return to scale.

(Q28) Define Marginal Revenue ? What is its relationship with AR when firm is able to sell more quantity of output at same price

or

What is the relationship of MR with AR and TR under Perfect Competition ?

or

Why is average revenue curve of a firm parallel to x-axis under perfect competition

?

(Q29) Define Marginal Revenue ? What is its relationship with AR when firm is able to sell more only at lowering prices

”or

What is the relationship of MR with AR and TR under Imperfect Competition ?

or

Why is average revenue curve of a firm negatively sloped under monopolistic competition ? Explain.

(Q30) Explain producer equilibrium with its condition ? ( $P = MC$  under perfect competition)

or

Give the meaning of producers equilibrium. A producer produces that quantity of his product at which marginal cost and marginal revenue are equal. Is he earning maximum profits ? Give reasons for your answers.

”or

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)
1	7	8
2	7	15
3	7	21
4	7	26
5	7	33
6	7	41

(Q31) Why will a producer not be in equi. if the conditions of equilibrium are not met.

or

Elaborate the implication of the conditions of equilibrium of a firm.

or

Will a profit- maximising firm in a competitive market ever produce a positive level of output in the range where the marginal cost is falling ? Give an explanation

or

“ A producer will increase his profit by reducing production when his MC is greater than his MR ”

(Q32) Distinguish between Fixed cost and Variable cost ? Give two example of each.

or

Draw Total Variable Cost, Total Cost, and Total Fixed Cost curves in a single diagram.

or

Explain the behaviour of total cost as output increases.

or

(Q33) Distinguish between Explicit Cost and Implicit Cost ? Give two example of each.

OR

A farmer takes a farm on rent and carries on farming with the help of family members. Identify explicit and implicit costs from this information. Explain.

or

A producer starts a business by investing his own savings and hiring the labour. Identify implicit costs from this information. Explain.

or

A producer borrows money and starts a business. He himself looks after the business. Identify implicit and explicit costs from this information. Explain.

OR

Find out (a) explicit cost and (b) implicit cost from the following :

	<i>Rs. in Thousand</i>
(i) Investment in fixed assets	2000
(ii) Borrowings at 12% interest per annum	1500
(iii) Wages paid during the year	120
(iv) Annual rental value of the owner's factory building	100
(v) Annual depreciation	100
(vi) Estimated annual value of the management services of the owner	240

(Q34) On a single diagram draw ATC, AVC and MC ? Establish relationship between them. Explain the relation between (i) ATC and AVC and (ii) MC and AVC.

or

Why does  $ATC > AVC$  and the difference between ATC and AVC decreases with increase in level of output and never coincides.

OR

Giving reasons, state true or false :

- (a) With increase in level of output, average fixed cost goes on falling till it reaches zero.
- (b) Total cost rises only when marginal cost rises.
- (c) The difference between AC and AVC is always constant.
- (d) Average cost will rise only when marginal cost rises.
- (e) When MC rises, AVC must rise.

(Q35) Explain Law of Supply with the help of diagram? What is meant by assumption other than the being same on which law is based

(Q36) Explain three determinants effecting Market Supply of a commodity ?

or

List three causes of increase in Supply ?

OR

Show the effect of following on supply curve of a commodity

- (a) Price of related goods falls
- (b) Change in Technology that reduces MC of producing T.V or Technological advancement
- (c) Subsidy on production of a good on supply of a commodity.
- (d) Increase in Price of Input ( Labour wages increases )

(Q37) Explain the distinction between “change in quantity supplied” and “change in supply” with the help of a table.

(Q38) Explain the significance of ‘minus sign’ attached to the measure of price elasticity of demand in case of a normal good, as compared to the ‘plus sign’ attached to the measure of price elasticity of supply.

(Q39) ‘Supply curve is the rising portion of marginal cost curve over and above the minimum of Average Variable cost curve’. Do you agree? Give valid reason.

(Q40) Explain Geometric method of measuring E. of Supply (in case of straight line supply curve) ?

or

What will be the price elasticity of supply if supply curve is a positively sloped straight line?

(Q41) Why is the demand curve of a firm under monopolistic competition more elastic than under monopoly ? Explain.

(Q42) What happens to the profits in the long run if firms are free to enter in the industry? Why can a firm not earn abnormal profits under perfect competition in the long run ? Explain the implication of “Freedom of Entry and Exit”

(Q43) Explain the implication of the following features

- (a) “ Large number of sellers ” under perfect competition
- (b) “ Homogeneous products ” under of perfect competition
- (c) “ Differential products ” under monopolistic competition
- (d) “ non-price competition” under monopolistic market // oligopoly market
- (e) “ barriers to entry” under oligopoly or monopoly
- (f) “ price rigidity ” under oligopoly.
- (g) Interdependence between firms under oligopoly.

(Q44) Explain why there are only a few firms in an oligopoly market.

or

Explain any two sources of restricted entry under monopoly.

(Q45) Distinguish between

- (a) cooperative and non-cooperative oligopoly.
- (b) Perfect and imperfect oligopoly

(Q46) With help of suitable diagram explain process of determination of equilibrium price of a commodity under perfect competitive market ?

or

IF for a given price there is excess supply, how will the equilibrium be reached ? use diagram.

or

IF for a given price there is excess demand, how will the equilibrium be reached? Use diagram. What changes (adjustment) will take place if price is not at equilibrium level?

or

Market for a good is in equilibrium. Explain the chain of reactions in the market if the price is higher than equilibrium price

or

If equilibrium price of a good is greater than its market price, explain all the changes that will take place in the market. Use diagram.

(Q47) When supply and demand of commodity both increase, equilibrium price may not change, may increase, may decrease?

OR

There is a simultaneous 'decrease' in demand and supply of a commodity. When will it result in:

- (a) No change in equilibrium price.
- (b) A fall in equilibrium price. Use diagrams.

(Q48) Explain with diagram the chain effect on equilibrium price and demand and supply of

- (a) increase in demand
- (b) income increases in case of inferior good
- (c) leftward shift of supply curve
- (d) reduction in taxation policy

(3M each or NOTE : 6M each)

(e) The following headline appeared in the Hindustan Times on 2 August 2014: "Crop damaged in Himachal sent tomato prices roaring in Delhi".

(Q49) Explain 'price ceiling' and its effects

or

Explain 'black marketing' as a direct consequence of price ceiling.

(Q50) Explain 'price floor' and its effect

or

Explain the concept of 'buffer stock' as a tool of price floor.

## MACRO QUESTION'S

Chapter 1/2/3/4 { NY and its aggregates }

(Q1) What is meant by circular flow of income? Distinguish between real flow and money flow?

(Q2) Distinguish b/w Stock and flow variable? Classify the following as Stock and Flow variable

(a) Losses / Profits

- (b) Savings
- (c) Balance in a bank account
- (d) Wealth.
- (e) Export
- (f) Production // GDP
- (g) Capital formation / Investment

(Q3) Differentiate between Intermediate goods and Final goods ? Give two example of each

- Can purchase of Car be treated as IG ? ,or
- 'Machine' purchased is always a final good ? Give reason , or
- Butter is only a final product , or

OR

Categorised as Intermediate Products and Final Products ::

- (a) Paper purchased by publisher
- (b) Coal used by manufacturing firms
- (c) Computer installed in an office.
- (d) Mobile sets purchased by a mobile dealer
- (e) Milk purchased by restaurant
- (f) Chalks, dusters, etc. purchased by a school
- (g) Cold drink purchased by canteen

(Q4) Discuss the differences between GDP at constant prices and GDP at current Prices. ,or Give the meaning of Nominal GDP and Real GDP . Which of these is better indicator of economic welfare ?

or

Can Nominal GDP be less than Real GDP.

or

During a given year nominal national income increased by 14 per cent while the real national income increased by only 6 per cent. Population increased by 2 per cent. What has caused the difference between nominal income and real income ? What is real per capita income?

or

If the Real GDP is Rs. 400 and Nominal GDP is Rs. 450, calculate Price Index (base = 100).

If the Nominal GDP is Rs. 600 and Price Index (base = 100) is 120, calculate the Real GDP.

The value of the nominal GNP of an economy was Rs.2,500 crores in a particular year. The value of GNP of that country during the same year, evaluated at the prices of same base year, was Rs.3,000 crores. Calculate the value of the GNP deflator of the year in percentage terms. Has the price level risen between the base year and the year under consideration ?

( Ans :: no price has fallen by 16.67

%)

**(Q5) GDP or National income is not a measure of Economic welfare ? HOW**

or

**Explain limitation of GDP / national income as a a measure/index of Economic welfare**

or

**What are externalities ? Give an example of a positive externality and its impact on welfare of the people.**

or

**What are non monetary exchanges ? Give an example . Explain their impact on use of GDP as an index of welfare ?**

**Increase in per capita real income means increase in per capita availability of goods and services. Does it necessarily mean rise in the welfare of the people of the country ? Give any one argument in support of your answer and explain the same.**

or

**Do you think higher level of real GDP always leads to higher availability of goods per person in the domestic economy ? If not, what lesson do you draw from such a situation ?**

**(Q6) Differentiate Net National Disposable Income with National Income and Personal Disposable Income?**

or

**(Q7) Differentiate Net National Disposable Income with Personal Disposable Income ?**

,or

**(Q8) Explain the problem of double counting ? How can it be avoided ?**

**(Q9) Explain value added method of estimating NY with the help of suitable example ?**

or

**State the various components of the Expenditure Method that are used to calculate national income.**

or

**Gross domestic capital formation is always greater than gross fixed capital formation.**

**(Q10) Distinguish between Domestic factor income (Domestic product) and National income (National product) on the basis of concepts of resident and domestic territory?**

OR

**Mention components of domestic factor income.**

or

**Are the following included in Domestic factor income**

**(i) Scholarship given by GOI**

**(ii) Profit earned by Indian bank from its branch abroad**

**(iii) Profit earned by American bank from its branch in India**

**(iv) Salary given to Indian working in American Embassy in India**

**(v) Salary given to non-resident working in Indian Embassy in America**

**(Q11) Giving reasons explain how are following treated while estimating national income**

- (a) Payment of fees to a lawyer engaged by a firm or Exp. by a firm on payment of fees to CA**
  - (b) Payment of wealth tax or death duty or entertainment tax or excise duty**
  - (c) Payment of income tax by a production unit**
  - (d) Payment of corporate tax**
  - (e) Purchase of a truck or machinery by a production unit / firm**
  - (f) purchase of taxi by taxi driver // Purchase of tractor by farmer**
  - (g) Purchase of furniture by a firm.**
  - (h) Value of wood purchased for making table**
  - (i) Expenditure on maintenance by a firm.**
  - (j) Payment of electricity bill by a school.**
  - (k) Expenditure on fertilizer by farmer**
  - (l) purchase of uniforms by hospital**
  - (m) Expenditure on education of children by a family.**
  - (n) Addition to the stock during the year**
  - (o) Expenditure on maintenance of a building.**
  - (p) Expenditure on adding a floor to the building or Expenditure on construction or Expenditure on improvement of fixed assests**
  - (q) Rent free house to an employee by an employer or free medical facilities by employer**
  - (r) Gift given by employer to employee**
  - (s) Bonus given by employer to employee**
  - (t) Contribution paid SSS paid by employee**
  - (u) Imputed rent of self occupied houses.**
  - (v) Expenditure by government in providing free education or free treatment of poor in hospitals**
  - (w) Expenditure by government on providing policce services**
  - (x) Wheat grown by farmer but used entirely for family's consumption.**
  - (y) Services rendered by family member to each other**
  - (z) Taking care of aged parents**
- 
- (a) Payment of interest by a government firm.**
  - (b) Interest on national debt or Interest on public debt or Payment of interest on borrowings by general government.**
  - (c) Interest received on debentures.**
  - (d) Payment of interest by a firm to a bank**
  - (e) Payment of interest by a bank to an individual**
  - (f) Payment of interest by an individual to a bank**

- (g) Purchases by foreign tourist
- (h) Dividend received by a foreigner from investment in share of an Indian company.
- (i) brokage payment on sale of shares
- (j) Earning of shareholders from the sale of shares
- (k) Capital gain on sale of a house
- (l) Prize won in a lottery
- (m) Financial help received by flood victims.

or

Explain any three precaution or items not be included in GNP of a country ?

### Chapter 5 / 6 { MONEY & BANKING }

(Q12) Explain the process of money or credit creation by commercial banks with numerical example ?

or

Currency is issued by the central bank, yet we say that commercial banks create Money. Explain . How is this money creation by commercial bank likely to affect the national income ? Explain.

or

Govt of India has recently launched 'Jan -dhan yojna ' aimed at every household in the country to have at least one bank account . Explain how deposit made under the plan are going to affect national income ?

(Q13) Explain two drawback of Barter system of exchange ? How does money remove this system ?

(Q14) Explain function of money as

(a) Medium of exchange or function that has separated the acts of sale and purchase or function that has removed the difficulty of lack of double coincidence of wants or function that helps to make payments for all transactions of goods and services.

(b) Unit of Value or function that helps to find out exchange ratios between various goods and services or functions that works as a common denomination, in which values of all goods and services are expressed.

(Q15) Explain function of money as

(a) Standard of Deferred Payment or function that has led to capital formation and economic development of the economy or function that has simplified the borrowing and lending operations

(b) Store of Value or function of money that facilitates transfer of purchasing power from present to future or function of money that is also termed as 'Asset Function' of money.

(Q16) What are various components of supply of money ?

(Q17) How does Central bank acts as “Note issuing authority” // “Bank of Issue function”

(Q18) How does Central bank acts as “Bankers Bank” “Govt.’s Bank” “Lender of last resort”

Chapter 7/8/9/10/11 { AD & AS }

(Q19) Explain ‘consumption function’ with the help of a schedule and diagram. ,or  
Explain ‘saving function’ with the help of a schedule and diagram.

or

What is Consumption Function ? How can it be derived from the Saving Function ?  
Explain.

(Q20) Given below is the consumption function in an economy :  $C = 100 + 0.5Y$   
With the help of a numerical example show that in this economy as income increases  
APC will decrease.

(Q21) Give the meaning of APS, APC, MPC and MPS ? When can value of APS be negative  
? What will value of APC in such situation ?

or

State true or false

(a) APS is always greater than zero // APS can never be negative

(b) value of APS can never be greater than one

(c) If APS is negative then MPS is also negative

(d) value of MPS can never negative

(e) When marginal propensity to consume is zero, the value of investment  
multiplier will also be zero

(f) If the ratio of marginal propensity to consume and marginal propensity to save  
is 4:1, the value of investment multiplier will be 4. ,or

Complete the following table:

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

(Q22) Draw on a diagram a straight line saving curve for an economy. From it derive the  
consumption curve, explaining the method of derivation. Show points on the  
consumption curve at which APC is equal to one and APC is less than one ( APS is  
negative )

(Q23) Explain the difference between ‘autonomous investment’ and ‘induced investment’.

(Q24) Distinguish between voluntary and involuntary unemployment. What is the significance of this distinction ?

(Q25) How national income or employment or output is determined in an economy through S and I approach ?

or

If planned saving ( total output ) exceed planned investment (expenditure) what changes will bring about equality between them

or

If planned expenditure is less than planned output , what changes will take place in an economy ?

or

Why should PS be equal to PI at this level ?

or

Why should aggregate demand be equal to aggregate supply ?

or

When is an economy in equilibrium ? Explain with the help of Saving and Investment functions. Also explain the changes that take place in an economy when the economy is not in equilibrium. Use diagram.

(Q26) Explain the concept of “Under-employment Equilibrium “ ,or  
Can there be unemployment at equilibrium level of income ? ,or  
“ Eq. level of Income is not necessary at Full employment equilibrium” ? Explain

(Q27)  $C = 200 + .9 Y$  and  $I = 1000$ . Find (a) equilibrium level of income (b) level of consumption and saving at equilibrium level

The savings function of an economy is  $S = - 200 + 0.25Y$ . The economy is in equilibrium when income is equal to 2,000. Calculate :

- (a) Investment expenditure at equilibrium level of income.
- (b) Autonomous consumption.
- (c) Investment multiplier

If in an economy Saving function is given by  $S = (-) 50 + 0.2 Y$  and  $Y = 2000$  crores ; consumption expenditure for the economy would be 1,650 crores and the autonomous investment is 50 crores and the marginal propensity to consume is 0.8. True or False? Justify your answer with proper calculations.

In an economy the autonomous investment is 60 and  $MPC = 0.8$  . If the equilibrium level of income is 400 , then the consumption is 30 . Justify your calculation

An economy is in equilibrium. Calculate the Marginal Propensity to Save from the following:

$$\text{National Income} = 1000$$

**Autonomous Consumption = 100**

**Investment = 120**

(Q28) Explain the working of multiplier assuming initial investment to be 100 cr and MPC = .8 ? (Q29) Explain the relationship between Investment multiplier and MPC ? What is the max. value of Investment multiplier and Why ?

or

“Economists are generally concerned about the rising Marginal Propensity to Save (MPS) in an economy”. Explain why ?

(Q30) Explain the concept of Inflation and Deflation gap with diagram ? How budgetary policy or “Taxation policy” of govt. useful in these context ?

(Q31) What is meant by Repo Rate? How does the Central Bank use this measure to control inflationary conditions in an economy?

or

What is ‘deficient demand’ ? Explain the role of ‘Bank Rate’ in removing it.

(Q32) What is meant by Reverse Repo Rate? How does the Central Bank use this measure to control inflationary conditions in an economy?

(Q33) Explain “Reserve Ratio // legal reserve ratio ” as quantitative instrument in controlling the availability of credit in an economy ?

(Q34) What is meant by Margin Requirement? How does the Central Bank use this measure to control deflationary conditions in an economy?

or

What is ‘excess demand’ ? Explain the role of “Open market operation” in removing it.

### Chapter 12 { BUDGET }

(Q35) What is Govt. Budget? Explain its three objective?

or

Explain the role of government budget in bringing “economic stability” & “reducing inequalities of income”?

or

Explain how the government can use the budgetary policy in reducing inequalities in incomes.

or

Tax rates on higher income group have been increased. Which economic value does it reflect? Explain.

or

The govt. decides to give budgetary incentives to investors for making investments in backward regions . Explain these possible incentives and the reasons for the same ?

or

In the Government of India’s budget for the year 2013-14, the Finance Minister proposed to raise the excise duty on cigarettes. He also proposed to increase income tax on individuals earning more than Rs. one crore per annum. Is the objective only to earn

revenue for the government ? What possible welfare objective can you think of from these proposals ? Explain

(Q36) Define Tax ? When is a tax called Direct Tax and when is a Tax called Indirect tax ? Give examples?

or

Classify into direct and indirect tax

- |                |                     |
|----------------|---------------------|
| (a) Wealth tax | (b) Corporation tax |
| (c) Sales Tax  | (d) Service Tax     |
| (e) VAT        |                     |

(Q37) Distinguish between Revenue Receipts and Capital Receipts ? Give two example of each

OR

Classify

- |  |   |
|--|---|
| (a) Dividend on investments made by govt.  | (b) Sale of a public sector undertaking |
| (c) Profits from Public sector undertaking | (d) Recovery of loans                   |
| (e) Corporation tax                        | (f) Loans from IMF                      |
| (g) grant received from world bank         | (h) Tax receipts                        |
| (i) Disinvestment                          | (j) Borrowing from public               |

(Q38) Distinguish between Revenue Expenditure and Capital Expenditure ? Give two example of each

OR

Classify

- |   |  |
|---|--|
| (a) Granting Subsidies                                      | (b) Grants given to State government       |
| (c) Construction of school buildings                        | (d) Repayment of Loan                      |
| (e) Payment of interest                                     | (f) Expenditure on collection of taxes     |
| (g) Expenditure on scholarship                              | (h) Payment of salaries to govt. employees |
| (i) Expenditure on building a bridge / purchasing computers |  |

(Q39) What is meant by Fiscal deficit and Revenue Deficit ? What is the effect of large FD or what problem can large FD create or indicates ?

or

“Governments across nations are too much worried about the term fiscal deficit”. Do you think that fiscal deficit is necessarily inflationary in nature? Support your answer with valid reasons.

or

What are the implications of a large revenue deficit? Give two measures to reduce this deficit

(Q40) Distinguish between revenue deficit and fiscal deficit.

or

Can there be Fiscal deficit without a revenue deficit ?

or

Higher revenue deficit necessarily leads to higher fiscal deficit. Comment

**(Q41) List four item each of Current and Capital account of BOP?**

**or**

**Distinguish between current and capital account of BOP. Classify the following transactions**

- |  |  |
|--|--|
| <b>(a) Investment from abroad</b>                  | <b>(b) import of machinery</b>                 |
| <b>(c) Profit received from foreign investment</b> | <b>(d) transfer of fund to relative abroad</b> |
| <b>(e) Sale of Machinery</b>                       | <b>(f) borrowing from abroad</b>               |
| <b>(g) Charity to foreign country</b>              |  |

**or**

**Name the main components of current account of BOP account. What does a deficit in current account indicates ?**

**(Q42) What is meant by 'official reserve transactions'? Discuss their importance in Balance of Payments.**

**(Q43) Distinguish between 'autonomous' and 'accommodating' Balance of Payments transactions.**

**(Q44) What does the Balance of Payments Account record ? Distinguish between the "balance on current account" and the "balance of trade" in this account.**

**(Q45) How is Foreign exchange rate ( FER ) determined in foreign exchange market ?**

**(Q46) Explain the meaning of Managed Floating Exchange Rate.**

**(Q47) List four sources each of demand and supply of Foreign exchange ? Use diagram**

**(Q48) Explain relationship between rise in price of foreign exchange rate and its supply by giving two examples ?**

**or**

**Explain the effect of depreciation of domestic currency on exports.**

**or**

**Foreign exchange rate in India is on the rise recently. What impact is it likely to have on exports and how ?**

**or**

**In India, exchange rate of Rs. in terms of US dollar has fallen considerably. What is the likely impact on Indian export and why ?**

**(Q49) Explain the effect of appreciation of domestic currency on imports.**

**or**

**Give two reason for a rise in demand for a foreign currency when its price falls ?**

**or**

**Explain the impact or economic value of**

- (a) GOI has doubled import duty on gold**
- (b) lot of indians going abroad**
- (c) GOI giving incentives for export**
- (d) GOI restricts autonomous import of gold**

**(Q50) Devaluation and Depreciation of currency are one and the same thing'. Do you agree?**

How do they affect the exports of a country? (3)

( 1 Mark ) Ques.

- (i) Define micro economics and give two example or study of micro economics
- (ii) Define macro economics and give two example or study of aggregates economics
- (iii) Define Balanced govt. budget , Foreign exchange rate (if Rs 450 exchanges for \$ 10 , find exchange rate)
- (iv) Name two invisible item of current account of BOP
- (v) When is there a deficit / surplus in balance of trade (if BOT - 100 and export is 500 ,what is import value
- (vi) Define full employment and involuntary unemployment?
- (vii) When can be GNP be less than GDP? Or Domestic income greater than national income
- (viii) Define appreciation of currency Or The price of 1 US Dollar has fallen from Rs.50 to Rs.45. Has the Indian currency appreciated or depreciated?
- (ix) Give two example of non-tax revenue receipt?
- (x) What will be the effect of rise in bank rate on Money supply?
- (xi) Why is an entertainment tax an indirect tax?
- (xii) If  $APC = 1.5$  , find  $APS$  ?
- (xiii ) What is the relationship between  $MPS$  and  $MPC$  ? or IF  $MPS$  and  $MPC$  are equal , what is the value of a multiplier ?
- (xiv) What will be the effect of a rise in bank rate on money supply ?
- (xv) Why are taxes received by governments not a capital receipts ?
- (xvi) Define consumption goods.
- (xvii) What are time deposits ?
- (Xviii) How can RBI helps in bringing down FER when it is very high ?
- (xix)Which agency is responsible for issuing Rs 1 currency note in India?
- (xx) Define foreign exchange rate , floating exchange rate
- (xxi) What is the value of multiplier ? When Marginal Propensity to Save is zero ?
- (xxii) Name of the market exchange rate system in which the Central Bank can actively intervene.
- (xxiii) What is Central Bank ?
- (xxiv) Define resident ?
- (xxv) Define deprciation / consumption of fixed capital
- (xxvi) Govt. has started more on providing education and health for the poor ? What economic value does it reflects ?