

**DAV PUBLIC SCHOOLS, ODISHA ZONE-II
PRE-BOARD EXAMINATION, (2015-16)**

**CLASS-XII
ECONOMICS (030)
QUESTION BANK**

SECTION–A (MICRO ECONOMICS)

UNIT-1 (INTRODUCTION)

Very short type questions

(1 mark)

1. Give one point of difference between micro and macro economics.
2. What give rise to the central problems of an economy?
3. What is mean by scarcity of resources?
4. What is mean by economizing of resources?
5. Define production possibility curve.
6. Define marginal opportunity cost.
7. Planned economy is that economy in which the central problem i.e. what ,how and for whom to produce is addressed by :
(a)Central Authority of the Govt. (b) Market forces
(c)Public & private sector. (d)Buyers & Sellers
8. Name the economic value achievable when attempts are made to increase the resources in the Country

Short type questions

(3/4 marks)

1. What is an economic problem? How does it arise?
2. Why PPC concave?
3. Draw a production possibility curve and show the following situation on the diagram:
(i) Full employment of resources
(ii) Underutilization of resources
(iii) Growth of resources
4. Explain the concept of Marginal Rate of Transformation with the help of an example.
5. State any three assumptions on which a “production possibilities curve” is based.

UNIT-2 (CONSUMER’S EQUILIBRIUM AND DEMAND)

Very short type questions

(1 mark)

1. Define Marginal utility.
2. What happen to TU when MU is positive?

3. What is mean by consumer's equilibrium?
4. Define Indifference curve.
5. Define Budget Line.
6. What do you mean by monotonic preferences?
7. Give the meaning of equilibrium.
8. What do you mean by Indifference Map? Define Demand by a consumer.
9. What do you mean by substitute goods? Give example.
10. What do you mean by complementary goods? Give examples.
11. Define market demand of a commodity.

Short type questions

(3/4 marks)

1. Define Marginal utility. State the law of diminishing marginal utility.
2. What do you mean by consumer's equilibrium? State its condition in case of a Single commodity.
3. Discuss the properties of indifference curves.
4. Define Budget Line and explain how it is derived.
5. A consumer buys 18 units of a good at a price of Rs.9 per unit. The price elasticity of demand for the good is (-) 1 .How many units the consumer will buy at a price of Rs.10 per unit? Calculate.
6. State the behaviour of marginal product in the Law of variable proportions. Explain the causes of this behaviour with help of a diagram.
7. How does income of the consumer affect the demand for a commodity?
10. State and explain the Law of Demand with a diagram.
11. Distinguish between increase in demand and increase in quantity demanded.
12. Explain the degrees of elasticity of demand.
13. When price of a good rises from Rs4 to Rs 5 .Its demand falls by 25 units.
Calculate Ed if the Consumer was buying 70 units before the fall in price.
14. Explain the factors affecting price elasticity of demand

Long type questions

(6 marks)

1. How is equilibrium achieved with the help of Indifference curve approach?
2. Explain the concept of Marginal Rate of Substitution with the help of schedule and diagram. Give reasons behind diminishing MRS_{xy} .
3. Explain different situation\condition under which Budget Line shift. Use diagram.
4. Explain the effect of rise\fall in the price of related goods on the demand of a good.

5. Distinguish between a normal good and an inferior good. Give example in each case.
6. Give three reasons for a rightward shift of a demand curve.
7. Give three reasons for a leftward shift of demand.
8. Explain with the help of diagrams the effect of the following changes on the demand of a commodity:
 - i) A rise in the price of complementary good.
 - ii) A rise in price of substitute good.
9. Explain the term 'Change in demand' and represent the same graphically. Also state three factors responsible for change in demand.
10. When is demand for a commodity called Elastic?
11. Draw: i) perfectly inelastic demand curve, ii) perfectly elastic demand curve, iii) Demand curve with unit elasticity.
12. What is meant by price elasticity of demand? State the percentage or proportionate method of measuring it.
13. Explain the expenditure method of measuring price elasticity of demand of a commodity. When is demand said to be inelastic?
14. The quantity demanded of a commodity at a price of Rs. 8 per unit is 600 units. Its price falls by 25% and quantity demanded rises by 120 units. Calculate its price elasticity of demand. Is its demand elastic? Give reason for your answer.
15. Define price elasticity of demand. Discuss the factors affecting price elasticity of demand.
16. Draw a straight line demand curve. Mark the elasticity at different points on the demand curve.
17. Explain the Law of Diminishing Marginal Utility with the help of a total utility schedule & a diagram.

HOTS

1. The elasticity of demand for X is twice the elasticity of demand for Y. Price of X falls by 5% and Price of Y rises by 5%. What will be the % change in the quantity demanded of X and Y?
2. If prices of salt and cigarettes, both rise by 10%, will the quantity demanded of both goods be affected in an equal manner?
3. If a good can be used for many purposes, the demand for it will be elastic. Why?
4. A dentist was charging Rs. 300 and per month it used to generate TR equal to Rs. 30,000. She has since last month increased the price of dental cleaning to Rs.350. As a result fewer customers are now coming for dental cleaning, but TR is now Rs. 33,250. What can we conclude about the elasticity of demand for such a dental service?
5. Which of the following commodities have inelastic demand:
 1. Salt
 2. A particular brand of lipstick
 3. Medicines
 4. Mobile
 5. School uniform

UNIT-3 (PRODUCER BEHAVIOUR AND SUPPLY)

Very short type questions

(1 MARK)

1. What is production function?
2. What is meant by Marginal physical product (MPP)?
3. What is the general shape of APP curve?
4. What is meant by returns to a factor?
5. What is meant by cost?
6. How is TVC derived from MC?
7. Define fixed cost & variable cost.
8. Do ATC and AVC curves intersect? Give reasons.
9. Why does the difference between ATC and AVC decrease with increase in The level of output?
10. Define revenue of a firm. What is the other name of AR?
11. What is the other name of AR?
12. Draw AR and MR curve of a firm under perfect competition.
13. What is the shape of AR and MR curve under monopoly?
14. Define market supply.
15. What is the meaning of expansion of supply?
16. What causes a upward movement along a supply curve of commodity?
17. Mention any one factor that causes a rightward shift of the supply curve.
18. Define price elasticity of supply.
19. Draw a straight line supply curve with unitary price elasticity.
20. Price elasticity of a commodity is 0.8. Is the supply elastic or inelastic and why?

Short type questions

(3\4 marks)

1. Explain the relationship between TPP and MPP.
2. Explain the law of variable proportion. Use diagram.
3. What do you understand by return to a factor? State the reasons for diminishing return to a factor.
4. Explain the relationship between marginal cost and average cost with the help of a cost schedule and diagram.
5. Why is AC curve in the short run U-shaped?
6. What are total fixed cost, total variable cost and total cost of a firm? How they are related?
7. Define MR. State the relationship between TR and MR.

8. Why is the total revenue curve facing a competitive firm a straight line passing through the origin?
9. Give three reasons for an increase in the supply of a commodity.
10. Give three causes of leftward shift of supply curve.
11. Explain the effect of 'technological changes' on the supply of a commodity?
12. Explain how the supply of a commodity is affected by the change in price of other commodity?
13. Explain the effect of 'change in input' on the supply of a commodity?
14. When is the supply of a commodity said to be (i) elastic (ii) inelastic and (iii) unitary elastic?
15. At a price of RS. 10 per unit, the quantity supply of a commodity is 400 units. When its price rises to RS.12 per unit and the quantity supply rises by 10%, calculate its price elasticity of supply.
16. Explain the geometric method of measuring price elasticity of supply.
17. How is producer's equilibrium determined in case of perfect competition using MR and MC approach?
18. In case of imperfect competition determined producer's equilibrium using MR and MC approach.
19. Explain the relationship between price and total expenditure. Use diagram to explain.

UNIT-3 (PRODUCER BEHAVIOUR AND SUPPLY)

LONG TYPE QUESTIONS

(6 marks)

1. Explain the law of variable proportion. Also state the reasons behind the law. Use schedule.
2. Draw Average Total Cost, Average Variable Cost and Marginal Cost in a single diagram. Also explain the relationship between marginal cost and average cost with its help.
3. What is revenue of a firm? Give meaning of Average Revenue and Marginal Revenue. What happen to average revenue when marginal revenue is (i) greater than average revenue (ii) equal to average revenue (iii) less than average revenue?
4. Distinguish between contraction of supply and decrease in supply.
5. Distinguish between expansion of supply and increase in supply.
6. Explain briefly the following determination of supply:
 - (i) Increase in the price of input.
 - (ii) Decrease in the tax on the product.
 - (iii) Technological changes
7. Show the relationship between AC, AVC, AFC, and MC in one diagram.
8. Basic need of food cannot be met by industry. Then why is industry important?

9. Intensive cultivation implies that you can increase agricultural output by increasing the use of fertilizer ,water etc. on a given piece of land. True/false.

UNIT-4 (FORMS OF MARKET & PRICE DETERMINATION)

Very short type questions

(1 MARKS)

1. Under which market form, a firm is a price taker?
2. Define monopoly.
3. In which market form, there is no need of selling cost.
4. Define oligopoly.
5. What do you call a market in which monopoly and competition both exist?
6. Draw the demand curve of a firm under monopoly.
7. What is equilibrium price?

Short type questions

(3\4 marks)

1. Explain the 'free entry and exist of firm' feature of perfect competition.
2. State the feature of a perfect completion.
3. State the features of monopolistic competition.
4. Give any three points of difference between monopoly and monopolistic competition.
5. What is a price line?
6. Define a collusive and non-collusive oligopoly.
7. List any three ways in which oligopoly firm behave.
8. How is the equilibrium determined under perfect competition? Explain with the help of a diagram.
9. What will happen if the price prevailing in the market is
 - (i) Above the equilibrium price?
 - (ii) Below the equilibrium price?
10. Explain the effect of an increase in demand of a commodity on its equilibrium price and quantity. Use diagram.
11. Explain the effect of increase in supply of a commodity on its equilibrium price and quantity. Use diagram.
12. Market for good X is in equilibrium. Suppose price of its substitute good Y falls. Explain its effect on equilibrium price and quantity of good X. Use diagram.

LONG TYPE QUESTIONS

(6 marks)

1. Explain the implication of the following :
 - (i) The features 'differentiated products' under monopolistic competition.
 - (ii) The features large numbers of sellers' under perfect competition.

2. Compare demand curves facing a seller under condition of perfect competition, monopolistic competition and monopoly, clearly reflecting the difference in their elasticity. Draw these curves in the single diagram.
3. When will (a) simultaneous increases and (b) simultaneous decreases in both demand and supply not affect the equilibrium price? Explain with the help of a diagram.
4. Market for a good is in equilibrium. What is the effect of equilibrium price and quantity if both market demand and market supply of the good increase in the same proportion? Use diagram.
5. Explain the major features and its implications of monopolistic competition
6. All the inputs used in production of a good are increased simultaneously and in the same proportion. What are its possible effects on Total Product? Explain with the help of a numerical example.
7. Between collusive and non-collusive oligopoly. Explain how the oligopoly firms are interdependent in taking price and output decisions.
8. Market for a good is in equilibrium. There is an 'increase' in demand for this good. Explain the chain of effects of this change. Use diagram.

SIMPLE APPLICATION OF TOOLS OF DEMAND AND SUPPLY

LONG TYPE QUESTIONS

(6 marks)

1. What is price ceiling? What may be the consequences of price ceiling?
2. What is price floor? What may be the consequences of price floor?
3. What happen when government fixes the maximum price lower than the market equilibrium price for the commodity? Explain with the help of a diagram.

SECTION –B (MACRO ECONOMICS)

UNIT-5 (NATIONAL INCOME AND RELATED AGGREGATES)

Very short type questions

(1 mark)

1. Define macroeconomics. Give examples.
2. Define stock variable.
3. Define 'real' gross domestic product.
4. Define flow variables.
5. What is nominal gross domestic product ?
6. When will be NDP MP be less than NDP FC?
7. State the meaning of consumption of fixed capital?
8. State whether the following are stock or flow :
(i) Losses (ii) Capital (iii) Production (iv) Wealth

9. Define Nominal GNP.

Short type questions

(3\4 marks)

1. Distinguish between real flow and money flow. Give example.
2. How will you derive Gross National Disposable Income from National Income?
3. Distinguish between GNP_{MP} and NDP_{FC} .
4. Explain the distinction between 'domestic product' and 'national product' on the basis of concept of resident and domestic territory.
5. Distinguish between intermediate goods and final goods. Give one example each.
6. Explain the concept of stocks and flows.
7. Define Nominal GNP and Real GNP.
8. Distinguish between a factor payment and a transfer payment.
9. Explain the term compensation of employees and its components.
10. Explain the main steps in the value Added method of measuring national income.
11. Explain the main steps in the income method of measuring national income.
12. Explain the main steps in the expenditure method of measuring national income.
13. Explain some of the precautions taken to measure national income through Value Added, Income and Expenditure methods.
14. Is GDP an indicator of welfare? Explain.
15. Define positive externality. Give few examples of its impact on welfare?
16. What are the components of private final consumption expenditure by Household?
17. The gap between $NDP_{at\ mp}$ and $NDP_{at\ fc}$ represents the role of govt. in the production process. (VBQ)

UNIT-5 (NATIONAL INCOME AND RELATED AGGREGATES)

LONG TYPE QUESTIONS

(6 marks)

1. Will the following factor income be a part of domestic factor income of India?
Give reasons for your answer.
 - (i) Profits earned by a branch of foreign bank in India.
 - (ii) Salaries received by Indian residents, working in the American embassy in India.
 - (iii) Profit earned by an Indian company from its branch in Singapore.
2. Distinguish between domestic product and national product. When can Domestic product be more than National Product.

3. From the following ,estimate: (a) Personal income, (b) private income, (c) Personal disposable income and (d) NNDI:

Items	Rs. in Crores
(i) National income	2,500
(ii) Corporation profit tax	25
(iii) National debt interest	30
(iv) Direct personal taxes	75
(v) Saving of private corporate sector	50
(vi) Income from properties and entrepreneurship accruing to government administrative departments	75
(vii) Current transfers from government administrative departments	70
(viii) Saving of the non-departmental public enterprises	10
(ix) Current transfer from rest of the world	30
(X) NIT	20

4. From the following ,calculate national income by: (I) income method

(II) Expenditure method:

Items	(RS. in cores)
(i) Government final consumption expenditure	1,000
(ii) Interest	350
(iii) Rent	300
(iv) Mixed income of self employed	600
(v) Employers' contribution to SSC	100
(vi) Compensation of employees	3,000
(vii) Net domestic capital formation	650
(viii) Net export	(-)100
(ix) NFIA	(-)50
(x) NIT	500
(xi) Private final consumption expenditure	4,500
(xii) Depreciation	80
(xiii) Change in stock	50
(xiv) Profits	80

HOTS

1. Which of the two, NVA FC and NVA MP is equal to sum of factor income?
2. Why is money received from sale of shares is not included in domestic Factor income.
3. What aggregate do we get, when we add up the net value added of all Producing sectors of an economy?
4. How value added method solve the problem of double counting?
5. What is per capita real GDP? Explain
6. Explain why subsidies are added to and indirect taxes deducted from domestic product at market price to arrive at domestic product at factor cost.
7. Giving reasons, explain how the following are treated in estimating nationalIncome by the income method.
(a)Interest on a car loan paid by an individual
(b)Interest on a car loan paid by a Govt. owned company
8. Why do we include the imputed value of goods but not services while estimating production for self consumption?
9. Define operating surplus, write its component

UNIT-6 (MONEY AND BANKING)

Very short type questions

(1 mark)

1. What is barter system?
2. What is meant by money?
3. What do you mean by fiat money?
4. Define commercial bank.
5. What is a central bank?
6. Define open market operation.
7. Define 'Term Loan' or 'Demand Loan'.
8. Define CRR and SLR.
9. What is a bank
10. What is repo rate?

Short type questions

(3\4 marks)

1. State the four function of money. Describe any one.
2. Explain the drawbacks of barter system.

3. Define money supply .What are its components.
4. Briefly explain any four main function of a commercial bank.
5. State the main function of a central bank.
6. What role of RBI is known as 'lender of last resort'?
7. Explain the banker's bank' and 'supervisor' function of the central bank.
8. Give the meaning of (i) bank rate (ii) open market operation (iii) cash reserve ratio.
9. State the three method by which a central bank tries to control the quantity of credit.
10. What do you mean by 'margin requirement'? Explain how central bank Controls credit creation by it.

LONG TYPE QUESTIONS

(6 marks)

1. Explain the process of money creation by the commercial bank with the help of suitable example.
2. What is barter system? Explain how money solves the problems of barter system.

UNIT-7 (DETERMINATION OF INCOME, OUTPUT AND EMPLOYMENT)

Very short type questions

(1 mark)

1. What is mean by aggregate demand?
2. What is consumption function?
3. What is average propensity to save?
4. What is the relationship between APC and APS?
5. If APC is 0.7, how much will be APS?
6. What is meant by involuntary unemployment?
7. What is underemployment equilibrium?
8. What is deficient demand & excess demand?

9. What is inflationary gap?
10. What is fiscal policy?
11. From the following data, calculate equilibrium level of income.
(a) Autonomous consumption =200 (b) MPC = 0.9 (c) Investment = 1000

Short type questions

(3/4mark)

1. What are the components of aggregate demand?
2. Give meaning of:
 - i) Involuntary unemployment
 - ii) Full employment

- iii) iii) Underemployment equilibrium.
3. What is meant by investment multiplier? Explain the relationship between MPC and investment multiplier?
 4. What is the difference between ex-ante investment and ex-post investment?
 5. Explain with the help of a diagram the situation of excess demand in an economy. Explain any two measures of correcting it.
 6. Explain the concept of deflationary gap. Explain two fiscal measures to correct this gap.
 7. Explain the role of 'cash reserve ratio' and 'bank rate' in reducing aggregate demand in an economy.
 8. Explain briefly how changes in i) Taxation and ii) open market operation be helpful in correcting deficient demand.

LONG TYPE QUESTIONS

(6 MARK)

1. Explain determination of national income based on aggregate demand and aggregate supply. Use diagram.
2. Explain with the help of saving and investment curve the equilibrium level of income. Does equilibrium level of income always indicate full employment in the economy? Explain?
3. Explain with the help of a numerical example how an increase in investment in an economy affects its level of income.
4. Distinguish between inflationary gap and deflationary gap. Show deflationary gap on a diagram. Can this gap exist at equilibrium level of income? Explain.
5. Distinguish between underemployment equilibrium and full employment equilibrium.
6. How can the problems of excess demand and deficient demand be combated?

HOTS

1. Does full employment occur when $AD = AS$ or $S = I$?
2. If in an economy intended investment is greater than intended savings, what is the effect of it on national income?

UNIT-8 (GOVERNMENT BUDGET AND THE ECONOMY)

VERY Short type questions

(1 MARK)

1. What is a Government budget?
2. What is a tax?
3. Give two example of non-tax revenue.
4. Explain the term 'Revenue expenditure' of the Government.
5. What is plan expenditure?
6. What is non-plan expenditure?

7. What is developmental expenditure in a government budget?
8. What is non-development expenditure in a government budget?
9. What is budgetary deficit?
10. Define fiscal deficit in a government budget.
11. Define revenue deficit in a government budget?

Short type questions

(3\4 marks)

1. Define government budget. State its three objectives.
2. Distinguish between revenue receipt and capital receipts in a government budget. Give two example of each.
3. Explain the basis of classifying receipts into revenue receipts and capital receipts. Give an example of each.
4. What is meant by revenue deficit? What are the implications of this deficit?
5. Explain the meaning and implication of fiscal deficit.
6. Explain the meaning and implication of primary deficit.

UNIT-9 (BALANCE OF PAYMENT)

Very Short type questions

(1 mark)

1. Define foreign exchange.
2. What is meant by foreign exchange rate?
3. What is meant by appreciation of currency?
4. What is meant by depreciation of currency?
5. What is fixed exchange rate?
6. What is flexible exchange rate?
7. What do mean by Balance of payment?
8. Define capital account of balance of payment.
9. Define current account of balance of payment.
10. Borrowing from International Monetary Fund is a :

(a) Autonomous item	(b) Trade
(c) Foreign direct investment	(d) Accommodating items

Short type questions

(3\4 marks)

1. Distinguish between balance of trade and balance of payment.
2. Distinguish between current account and capital account of balance of payment account. State two components of each.
3. Distinguish between accommodating and autonomous items in BOP.

4. Distinguish between invisible trade and visible trade in BOP. Give an example of each.
5. Distinguish between primary deficit and fiscal deficit.
6. Giving two examples explain the relation between the rise in price of a foreign currency and its demand.
7. Giving two examples explain the relation between the rise in price of a foreign currency and its supply.
8. Which transactions determine the BOT of a country? When is BOT in surplus?

Long Type Questions

(6 marks)

1. How is foreign exchange rate determined in a foreign exchange market? Explain using diagram.
2. Explain any three or four causes of disequilibrium in BOP.
3. What is meant by disequilibrium of balance of payments? What are its different types?
4. Explain the differences between Balance of Trade & Current account of BOP.
5. What are the components of current account & Capital account of BOP.
6. The three categories in which BOP transactions are classified. Describe any three.
7. State the rules of recording transaction in BOP account.
8. State Explain any three or four causes of disequilibrium in BOP.

HOTS

1. A country's balance of trade is Rs. 75 crores. Value of imports of goods is Rs. 100 crores. How much is the value of exports of goods?
2. A country's balance of trade is Rs.500 crores . Value of exports of goods is Rs. 650 crores. How much is the value of imports of goods?
3. Ten US dollars are exchanged for five hundred Indian rupees. What is the exchange rate for Indian currency?
4. What is the IMF mechanism of exchange rates?
5. What measures would you suggest to correct disequilibrium in the BOPs?
6. Faced with an adverse BOP, the govt. should drastically devalue its rupee. Explain.(VBQ)
7. Domestic growth suffers from MNCs investment in our country. Do you agree with this statement?(VBQ)
