## SAMPLE QUESTION PAPER II
### ECONOMICS
#### Class - XII

Maximum Marks 100  
Time : 3 hrs.

**BLUE PRINT**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Form of Questions Content Unit</th>
<th>Very Short (1 Mark)</th>
<th>Short Answer (3, 4 Marks)</th>
<th>Long Answer (6 Marks)</th>
<th>Total</th>
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<td>Unit 1</td>
<td>1(1)</td>
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<td>3(1), 4(2)</td>
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<td>–</td>
<td>8(3)</td>
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<td>Unit 10</td>
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<td>3(1) 4(1)</td>
<td>–</td>
<td>7(2)</td>
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<td></td>
<td><strong>Sub-Total</strong></td>
<td><strong>10(10)</strong></td>
<td><strong>54(16)</strong></td>
<td><strong>36(6)</strong></td>
<td><strong>100(32)</strong></td>
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**Notes:**  
Figure within brackets indicate the number of questions and figures outside the brackets indicates Marks.  
*Denotes that marks have been combined to form one question.

**Summary:**

<table>
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<th>Type</th>
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<tr>
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<td>Short-Answer (SA) II</td>
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<tr>
<td>Very Short Answer (VSA)</td>
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**Questions 32**

18
SAMPLE PAPER II  
ECONOMICS

Time : 3 Hrs.  Max. Marks - 100

Note :

i. All questions in both the sections are compulsory.

ii. Marks for questions are indicated against each.

iii. 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.

iv. 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.

v. 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.

vi. 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.

vii. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

Section - A

Introductory Microeconomics

1. Define ‘opportunity cost’.  
2. What causes an upward movement along a demand curve?  
3. A rise in the price of a good results in an increase in expenditure on it. Is its demand elastic or inelastic?  
4. What is meant by the term ‘price taker’ in the context of a firm?  
5. What is the price elasticity of supply of a commodity whose straight line supply curve passes through the origin forming an angle of 75º?  
6. 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.

<table>
<thead>
<tr>
<th>Consumption (units)</th>
<th>Total utility (utils)</th>
<th>Marginal utility (utils)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>18</td>
<td>8</td>
</tr>
<tr>
<td>3</td>
<td>25</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>31</td>
<td>6</td>
</tr>
<tr>
<td>5</td>
<td>34</td>
<td>3</td>
</tr>
<tr>
<td>6</td>
<td>34</td>
<td>0</td>
</tr>
</tbody>
</table>

(3)
7. State the ‘law of supply’. What is meant by the assumption ‘other things remaining the same’ on which the law is based? (3)

8. Complete the following table:

<table>
<thead>
<tr>
<th>Output (units)</th>
<th>ATC (Rs)</th>
<th>AVC (Rs)</th>
<th>MC (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>54</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>2</td>
<td>-</td>
<td>24</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>-</td>
<td>-</td>
<td>24</td>
</tr>
</tbody>
</table>
| 4              | 33      | -       | -       | (3)

9. Explain the implication of the feature ‘product differentiation’ under Monopolistic Competition.

OR

Explain the implication of the feature ‘Freedom of entry and exit of firms’ under perfect Competition. (3)

10. State the problems relating to allocation of resources in an economy. (3)

11. Explain the effect of rise in the prices of ‘related goods’ on the demand for a good X. Use diagrams.

OR

Explain the effects of rise in income on demand for a good. Use diagram. (4)

For Blind Candidates only in lieu of Q. No. 11

Explain the effects of change in the prices of ‘related goods’ on demand for good X.

OR

Explain the effects of change in income on demand for a good. (4)

12. Is the elasticity of demand equal on all points of a straight line demand curve? Give reasons. (4)

13. Complete the following table:

<table>
<thead>
<tr>
<th>Output (units)</th>
<th>Price (Rs.)</th>
<th>Marginal Revenue (Rs.)</th>
<th>Total Revenue (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>–</td>
<td>10</td>
<td>–</td>
</tr>
<tr>
<td>2</td>
<td>9</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>3</td>
<td>–</td>
<td>–</td>
<td>24</td>
</tr>
</tbody>
</table>
| 4              | –           | 4                      | –                   | (4)

14. Explain the likely behaviour of Total Product and Marginal Product when only one input is increased while all other inputs are kept unchanged.

OR

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. (6)
15. 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 Diagram.

   For Blind candidates : In lieu of Q.N0. 15.

   There is a simultaneous ‘decrease’ in demand and supply of a commodity. Explain its effect on equilibrium price. (6)

16. Define ‘producer’s equilibrium’. Explain the conditions of producer’s equilibrium in terms of Total Cost and Total Revenue. Use diagram.

   For Blind Candidates only in lieu of Q.No.16.

   Define ‘producer’s equilibrium’. Explain the conditions of producer’s equilibrium in terms of Total Cost and Total Revenue with the help of a schedule. (6)

Section - B
Introductory Macroeconomics

17. If MPC and MPS are equal, what is the value of the multiplier? (1)
18. What is meant by Statutory Liquidity Ratio? (1)
19. How is primary deficit calculated? (1)
20. What will be the effect of a rise in bank rate on money supply? (1)
21. If planned savings are greater than planned investment, what will be its effect on inventories? (1)
22. State the nature of transactions that are recorded in current account of the Balance of Payments account. (3)
23. From the following data calculate national income:

   Rs.(Crores)
   (i) Compensation of employees 800
   (ii) Rent 200
   (iii) Wages and salaries 750
   (iv) Net exports (-30)
   (v) Net Factor income from abroad (-20)
   (vi) Profit 300
   (vii) Interest 100
   (viii) Depreciation 50
   (ix) Remittances from abroad 80
   (x) Taxes on profits 60
OR

Calculate ‘gross domestic product of factor cost’ from the following data.

(Rs.Crores)

(i) Private final consumption expenditure 800
(ii) Net domestic capital formation 150
(iii) Change in stock 30
(iv) Net factor income from abroad (–) 20
(v) Net indirect tax 120
(vi) Government final consumption expenditure 450
(vii) Net exports (–) 30
(viii) Gross fixed capital formation 170
(ix) Export of Machinery 40

24. How does money solve the problem of double coincidence of wants ?


26. Explain any two objectives of a government budget.

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

28. Give two reasons for a rise in demand for a foreign currency when its price falls.

OR

State any two merits and demerits of flexible exchange rate system.

29. Can an economy be in a state of under employment equilibrium? Explain with the help of a diagram.

For Blind Candidates only in lieu of Q.No.29.

Can an economy be in a state of under employment equilibrium? Explain.

30. How will you treat the following while estimating domestic product of India?

(i) Rent received by a resident Indian from his property in Singapore.
(ii) Salaries to Indians working in Japanies Embassy in India.
(iii) Profits earned by a branch of an American Bank in India.
(iv) Salaries paid to Koreans working in Indian embassy in Korea.

OR

Explain any two precautions that should be taken while estimating national income by (a) value added method, and (b) income method.

31. 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.
32. Calculate Gross National Product at Market Price and Personal Disposable Income from the following data

<table>
<thead>
<tr>
<th>Description</th>
<th>Value (Rs. crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Subsidy</td>
<td>20</td>
</tr>
<tr>
<td>(ii) Net factor income from abroad</td>
<td>(-) 60</td>
</tr>
<tr>
<td>(iii) Consumption of fixed capital</td>
<td>50</td>
</tr>
<tr>
<td>(iv) Personal Tax</td>
<td>110</td>
</tr>
<tr>
<td>(v) Savings of private corporations</td>
<td>40</td>
</tr>
<tr>
<td>(vi) Dividend</td>
<td>20</td>
</tr>
<tr>
<td>(vii) Indirect tax</td>
<td>100</td>
</tr>
<tr>
<td>(viii) Corporation tax</td>
<td>90</td>
</tr>
<tr>
<td>(ix) Net national disposable income</td>
<td>1000</td>
</tr>
<tr>
<td>(x) National debt interest</td>
<td>30</td>
</tr>
<tr>
<td>(xi) Net current transfers from abroad</td>
<td>20</td>
</tr>
<tr>
<td>(xii) Current transfers from government</td>
<td>50</td>
</tr>
<tr>
<td>(xiii) Miscellaneous receipts of the government administrative departments.</td>
<td>30</td>
</tr>
<tr>
<td>(xiv) Private income</td>
<td>700</td>
</tr>
<tr>
<td>(xv) Private final consumption expenditure</td>
<td>380 (6)</td>
</tr>
</tbody>
</table>
1. Opportunity cost is the value of the next best alternative foregone when availing a particular alternative. (1)

2. A rise in price. (1)

3. It is inelastic. (1)

4. A firm is said to be a ‘price taker’ when it has no option but to sell the product at a price determined at the industry level. (1)

5. Es =1. (1)

6. The consumer will purchase 4 units because at this consumption level marginal utility equals price. (1)
   At consumption level of less than 4 units MU is greater than price. Therefore there is scope of increasing gain by purchasing more. (1)
   If he buys more than 4 units MU becomes less than the price. Therefore, there is scope of increasing gain by purchasing less. (1)

7. The Law of supply states that there is direct relation between price and supply of a good, other things remaining the same. (1)
   The assumption means that factors, other than the own price of the good, determining supply remain unchanged. (1)
   Some of these other factors are prices of other goods, prices of inputs, taxes, technology, etc. (1)

8. | Output (units) | ATC (Rs.) | AVC (Rs.) | MC (Rs.) |
<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>54</td>
<td>30</td>
<td>30</td>
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<tr>
<td>2</td>
<td>36</td>
<td>24</td>
<td>18</td>
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<tr>
<td>3</td>
<td>32</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>4</td>
<td>33</td>
<td>27</td>
<td>36</td>
</tr>
</tbody>
</table>

   (½ x 6)

9. Product differentiation means that buyers differentiate between the products produced by different firms. Therefore, they are willing to pay different prices for the products of different firms. Different groups of buyers prefer products of different firms. This gives an individual firm some monopoly power, i.e. power to influence the demand for its product by changing price. (3)
OR

The freedom ensures that firms earn just the normal profits in the long run. If the existing firms earn ‘above-normal’ profits, new firms enter the industry, raise supply, which brings down the price. The profits fall till each firm is once again earning only the normal profits. If the existing firms are having losses, the firms start leaving, supply falls and price goes up. The price continues to rise till the losses are wiped out and firms are just earning normal profits. (3)

10. The three problems of allocation of resources are:
1. What goods to produce and in what quantities?
2. How, i.e. by which technology, to produce?
3. For whom to produce? (1 x 3)

11. Rise in the price of a substitute good makes good X relatively cheaper.

This raises demand for X at the same price. Graphically the demand curve of good shifts to the right from $D_1$ to $D_2$ and the consumer’s demand for X rises from $OQ_1$ to $OQ_2$ at price $OP$. (1)
Rise in price of a complementary good reduces demand for the complementary good and in turn reduces demand for good X. Graphically the demand curve of good X shifts to the left from $D_1$ to $D_2$ and the demand for X falls from $OQ_1$ to $OQ_2$ at price $OP$. (1)

\[\text{Graphical representation}\]

Rise in income increases demand of a normal good. Graphically the demand curve of the good shifts to the right from $D_1$ to $D_2$. The demand at the same price $OP$ rises from $OQ_1$ to $OQ_2$. (1)

\[\text{Graphical representation}\]

Rise in income decreases demand of an inferior good. Graphically, the demand curve of the good shifts to the left from $D_1$ to $D_2$. The demand at the same price $OP$ falls from $OQ_1$ to $OQ_2$. (1)

\[\text{Graphical representation}\]

For Blind Candidates in lieu of Q. No. 11.

Rise in the price of a substitute makes the good X relatively cheaper and therefore, raises demand for X at the given price of X. (1)

Fall in the price of a substitute makes the good X relatively dearer and, therefore, reduces demand for X at the same price of X. (1)
Rise in the price of a complementary good reduces demand for the complementary
good and in turn reduces demand for good X at the same price of X. \( \text{(1)} \)

Fall in the price of a complementary good raises demand for the complementary
good and in turn raises demand for good X at the same price of X. \( \text{(1)} \)

OR

Rise in income increases demand for a normal good. \( \text{(1)} \)

Fall in income reduces demand for a normal good. \( \text{(1)} \)

Rise in income decreases demand for an inferior good. \( \text{(1)} \)

Fall in income increases demand for an inferior good. \( \text{(1)} \)

12.

Elasticity of demand at a point on a straight line demand curve is measured by the
following formula

\[
e_{dd} = \frac{\text{lower segment}}{\text{upper segment}}
\]

Since at different points on the straight line demand curve the value of lower and
upper segment is different, so the elasticity of demand at different points on a
straight line demand curve will be different. \( \text{(2)} \)

13. | Output (Units) | Price (Rs.) | MR (Rs.) | TR (Rs.) |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>9</td>
<td>8</td>
<td>18</td>
</tr>
<tr>
<td>3</td>
<td>8</td>
<td>6</td>
<td>24</td>
</tr>
<tr>
<td>4</td>
<td>7</td>
<td>4</td>
<td>28</td>
</tr>
</tbody>
</table>

14. The behaviour of total product is summed up as the Law of Variable Proportions.
There are three phases in the behaviour of TP.
1st Phase : TP rises at increasing rate
2nd Phase : TP rises at decreasing rate
3rd Phase : TP falls

and

The three phases in the behaviour of MP are :
1st Phase : MP rises.
2nd Phase : MP falls and is positive.
3rd Phase : MP falls but becomes negative. \( \text{(3)} \)
The behaviour of TP is technically termed as Returns to Scale.

There are three possibilities:

1. TP rises in greater proportion than the rise in inputs, called Increasing Returns to Scale. For example: Suppose there are only two inputs, labour (L) and Capital (K). Suppose 1K + 1L produce 100 units and 2K + 2L produce 250 units. Input rises by 100% while the output rises by 150%. 

2. TP rises in the same proportion as rise in inputs, called Constant Returns to Scale. For example, suppose 1K+1L produce 100 units and 2K+2L produce 200 units, both inputs and TP rise in the same proportion.

3. TP rises in smaller proportion than the rise in inputs, called Decreasing Returns to Scale. For example, suppose 1K+1L produce 100 units and 2K+2L produce 190 units, inputs rise by 100% while the output rise by 90%.

15. ‘Decrease’ means less quantity at the same price.

(a) If ‘decrease’ in demand is equal to decrease in supply, there will be no change in the equilibrium price. In the figure, decrease in dd = decrease in SS = E₁E₂. Equilibrium price remains the same at OP.

(b) If ‘decrease’ in demand is greater than decrease in supply, the equilibrium price will fall. In the figure, decrease in dd = AE, while decrease in supply is lower i.e. BE₁. Therefore, equilibrium price falls from OP₁ to OP₂.
For Blind Candidates in lieu of Q. No. 15

(i) If the decrease in demand is greater than the decrease in supply, there will be excess supply. This will result in competition among sellers. Price will fall. This will result in rise in demand and fall in supply. These changes continue till price falls to a level at which demand and supply are equal. So in this case equilibrium price will fall. (2)

(ii) Similarly if decrease in demand is less than decrease in supply, this will result in a rise in equilibrium price. (2)

(iii) When decrease in demand and supply are equal, there will be no change in equilibrium price. (2)

16. The producer of a good is in equilibrium at that level of output of the good at which he earns maximum profit. (1)

There are two conditions of producer’s equilibrium:

(i) The difference between TR and TC is maximum. (2)

(ii) Total profit falls if one more unit of output is produced. (2)

In the diagram, OQ is the equilibrium output with profit equal to AB = AQ – BQ. AB is the maximum vertical distance between TR and TC. If more than OQ output is produced total profits fall. (Note: Diagram with straight line TR curve may also be taken as correct). (1)

For Blind Candidates in lieu of Q. No. 16

Definition (Same as above) (1)

Conditions (Same as above) (2)

Total cost and total revenue schedule

<table>
<thead>
<tr>
<th>Output (Units)</th>
<th>TR</th>
<th>TC</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10</td>
<td>15</td>
<td>−5</td>
</tr>
<tr>
<td>2</td>
<td>18</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>3</td>
<td>24</td>
<td>21</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>28</td>
<td>32</td>
<td>−4</td>
</tr>
</tbody>
</table>

The producer will produce 2 units because his profits are maximum at this level of output. (1)
17. Since $\text{MPC} + \text{MPS} = 1$ and $\text{MPC} = \text{MPS}$, therefore, value of MPS = $\frac{1}{2}$ and value of multiplier is 2. 

18. Statutory Liquidity Ratio is the ratio of total demand and time deposits of commercial bank which it has to keep in the form of specified liquid assets. 

19. Primary deficit = Fiscal deficit - Interest payment. 

20. It reduces money supply. 

21. If planned savings are greater than planned investment inventories will increase. 

22. There are three types of transactions that are recorded in current account of balance of payments account. 

i. Export and import of goods. 

ii. Export and import of services. It includes both factor income and non factor income. 

iii. Transfer payments. These are unilateral transfers. 

23. 

\[ \text{N.I.} = (i) + (ii) + (v) + (vi) + (vii) \] 

\[ = 800 + 200 - 20 + 300 + 100 \] 

\[ = \text{Rs. 1380 crore.} \] 

OR

\[ \text{GDP@ f.c.} = (i) + (vi) + [(iii) + (viii)] + (vii) - (v) \] 

\[ = 800 + 450 + 30 + 170 - 30 - 120 \] 

\[ = \text{Rs.1300 crore} \] 

24. Double coincidence of want means what one person wants to sell and buy must coincide with what some other person wants to buy and sell. It was very difficult that such coincidence of wants may take place. Money has removed this difficulty. You can sell your goods for money to whosoever wants it and with this money you can buy what you want from whosoever wants to sell that. 

25. A commercial bank is a financial institution that performs the functions of accepting chequable deposits and lending. 

Methods of lending: 

i. Cash credit 

ii. Demand loans 

iii. Overdrafts etc. (Any Two) 

26. Any two objectives, explanation of each. 

27. Revenue deficit is the excess of government’s revenue expenditure over its revenue receipts. A large revenue deficit means large borrowings for meeting the expenditure on normal functioning of government departments and various services. Large borrowings will result in increased revenue expenditure (interest payment) and a larger revenue deficit.
For reducing the revenue deficit the government should reduce its expenditure and raise more tax revenue. (2)

28. Reasons for rise in demand for a foreign currency when its price falls:
   (i) When price of a foreign currency falls, imports from that country become cheaper. So, imports increase and hence demand for foreign currency rises. (2)
   (ii) When a foreign currency becomes cheaper in terms of domestic currency, it promotes tourism to that country. As a result the demand for that foreign currency rises. (2)

OR

Merits of flexible exchange rate system:
   i. Under this system deficit or surplus in balance of payments is automatically corrected.
   ii. Under this system there is no need for the government to hold any foreign exchange reserves.
   iii. It helps in optimum resource allocation etc. (Any two) (1x2)

Demerits of flexible exchange rate system:
   i. It encourages speculation.
   ii. There can be wide fluctuations in exchange rate which may hamper foreign trade etc. (Any two) (1x2)

29. An economy is in equilibrium when planned expenditure and planned output in the economy are equal. If this equality is achieved at a less than full employment level of output then the economy is in a situation of under full employment equilibrium. (2)

OQ1 is the full employment level of output. C+I curve shows aggregate demand at different levels of output. The aggregate demand is sufficient only for OQ level of output. So at OQ level of output the economy is in equilibrium but it is a situation of under employment equilibrium. (1)

For Blind Candidates in lieu of Q. No. 29

Same explanation as above except diagram.
30. (a) It will not be included in domestic product of India as this income is earned outside the domestic (economic) territory of India. (1½)
(b) It will not be a part of domestic product of India as embassy of Japan in India is not a part of domestic territory of India. Hence this income is not earned within the domestic territory of India. (1½)
(c) It will be included in domestic product of India as the branch of American bank is located within the domestic territory of India. So it is income earned within the domestic territory of India. (1½)
(d) It will be part of domestic product of India because this income is earned within the domestic territory of India. Indian embassy in Korea is treated as located within the domestic territory of India. (1½)

OR

(a) Precautions to be taken under value added method:
   i. Only value added by production units should be added and not their value of output otherwise it will result in double counting. (1½)
   ii. While estimating value added, sale of second hand goods should not be included. Production of these goods has already been accounted for when these were newly produced. (1½)
(b) Precautions to be taken under income method:
   i. Only factor income should be included, transfer income should not be included because such income is not received for rendering factor services. (1½)
   ii. Income from sale of financial assets like shares etc. should not be included. Trading in these assets does not result in production of any good or service. (1½)

31. $C = 100 + 0.5Y$

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<tr>
<th>Y</th>
<th>C</th>
<th>APC = C/Y</th>
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<tbody>
<tr>
<td>400</td>
<td>300</td>
<td>0.75</td>
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<td>500</td>
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<td>600</td>
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When Y is 400, $C = 100 + 0.5 \times 400$

= 300

Similarly when Y is 500, C is 350 and when Y is 600, C is 400,

As income increase from 400 to 600, APC declines from 0.75 to 0.67. Thus as income is increasing APC is decreasing. (3)

32. \[\text{GNP @ mp} = (\text{iix}) + (\text{iii}) - (\text{xi})\]

\[= 1000 + 50 - 20\]

\[= \text{Rs. 1030 crores}\] (1½)

\[\text{Personal Disposable income} = (\text{xiv}) - (\text{v}) - (\text{viii}) - (\text{iv}) - (\text{xiii})\]

\[= 700 - 40 - 90 - 110 - 30\]

\[= \text{Rs. 430 crores}\] (1½)

32
# SAMPLE QUESTION PAPER-II

**Subject : Economics**  
**Class XII**  
**Max. Marks 100**  
**Time : 3 hrs.**

## QUESTION-WISE ANALYSIS

<table>
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<th>S. No of question</th>
<th>Unit/Ch. Number</th>
<th>Marks allotted</th>
<th>Estimated time (Minutes)</th>
<th>Estimated Difficulty level</th>
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**Reference for abbreviations Difficulty Level**

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