

ECONOMICS
CLASS- XII

MOST EXPECTED QUESTIONS:-

UNIT -1 INTRODUCTION-

- Q1. What is economizing resources?
- Q2. Define economic activity.
- Q3. What is micro economics?
- Q4. What is macro economics?
- Q5. Why does economic problem arise?.
- Q6. What are the central basic problems of an economy?
- Q7. Define production possibility Curve?
- Q8. What is marginal opportunity cost?
- Q9. What is the problem of scarcity?
- Q10. What is an economic problem?

Short Answer Questions (3&4 Marks)

- Q1. Explain the central problems of an economy
- Q2. Draw a PPC curve and show the following:-
- Q3. Explain opportunity cost with an example.
- Q4. Distinguish between Micro Economics & Macro Economics.
- Q5. What is opportunity cost? Calculate the marginal opportunity cost.

UNIT – 2, CONSUMER’S EQUILIBRIUM AND DEMAND

- Q1. Define total utility?
- Q2. How is marginal utility derived from total utility?
- Q3. What happens to TU when MU is Zero?

Short Answer Questions $\frac{3}{4}$ Marks

- Q1. Distinguish between TU and MU with the help of a diagram.
- Q2. State the conditions of consumer’s equilibrium?

THEORY OF DEMAND-

- Q1. Give the meaning of demand.
- Q2. Give the factors that affect demand.
- Q3. What is law of demand?
- Q4. What is a demand schedule?
- Q5. What is demand Curve?

- Q6. What happens to the demand for a good when the price of the substitute good falls?
- Q7. When do consumers buy less of a commodity at a given price?
- Q8. Define market demand?
- Q9. What is a change in demand?
- Q10. Give two examples of substitute goods.
- Q11. How is percentage change in quantity demanded calculated?

Short Answer Questions (3/4 Marks)-

- Q1. Draw demand curves showing price elasticity equals to a) Zero,
a) Infinity c) and Unity
- Q2. What are the determinants of demand?
- Q3. Give three reasons of a rightward shift of demand curve.
- Q4. What is market demand? How is market demand curve derived from the individual demand curve?
- Q5. Explain briefly any three factors which lead to decrease in demand.
- Q6. What are the exceptions to the law of demand?

Very long answer (6 Marks)

- Q1. Explain with the help of diagrams, the effect of the following Changes on the demand of a commodity.
- a) A fall in the price of substitute goods.
- b) A fall in the income of its buyer.
- Q2. Why does demand curve slope downwards? Explain.
- Q3. Distinguish between change in demand and change in quantity demand. And show the diagrams.
- Q4. When is demand for a commodity said to be perfectly in elastic?
- Q5. What makes the demand for a good more or less elastic? State one factor.

Short Answer Question (¾ Marks)

- Q1. What is meant by elasticity of demand .State any three factors that affect it?
- Q2. What will be the price elasticity of demand be in the following cases?
- a) Rise in price of the Commodity, increases total household expenditure on it.
- b) A rise in the price of the commodity reduces the total expenditure on it.
- c) A change in the price of a commodity does not change the total expenditure on it.
- Q3. At price of Rs. 20 Unit the quantity demanded is 300 units. Its price falls by 10% its quantity demanded rises by 60 units. Calculate price elasticity of demand .
- Q4. The market demand for good at Rs. 4 is 100 Units. The price rises and demand falls to 75 units. Find out the new price if elasticity of demand is (-) 1.

UNIT 4 - PRODUCER BEHAVIOUR AND SUPPLY-

- Q1. What is producer's equilibrium?
- Q2. Define marginal revenue.
- Q3. What is the effect of an increase in input price on the supply curve?
- Q4. What is the effect of decrease in excise tax rate on supply curve?
- Q5. What is the price elasticity associated with a straight line supply curve passing through origin.
- Q6. What is production function?
- Q7. What is general shape of MC curve?
- Q8. What is prime cost?
- Q9. How does TFC change when output change?
- Q10. Give two examples of fixed costs.
- Q11. What will happen to ATC when $MC < ATC$?
- Q12. How is MC calculated?
- Q13. What is the nature of TFC curve?
- Q14. What is the classification of costs in short-run?
- Q15. How is MR calculated?
- Q16. What is the nature of MR curve under competition?
- Q17. When MR is zero, how much will be TR?
- Q18. When TR falls, what happens to MR?
- Q19. What is relationship between AR and MR under perfect competition?
- Q20. What is price line under perfect competition?
- Q21. What is general profit maximizing condition of a firm?
- Q22. What is meant by producer's equilibrium?
- Q23. What is Break -even point?
- Q24. What is shut down point?

Short Answers ($\frac{3}{4}$ Marks)-

- Q1. Distinguish between variable cost and fixed costs.
- Q2. Why is MC curve in the short-run, U-shaped?
- Q3. MC curve cuts AC curve at its minimum show this with the help of a diagram.
- Q4. Why is AR always equal to MR for a competitive firm?
- Q5. Explain the relationship between MR and TR with the help of a diagram?
- Q6. What will be the effect of the following changes in the TR on MR?
 - a) TR increases at a decreasing rate.
 - b) TR increases at a constant rate.
- Q7. What is the condition of producer's equilibrium for a competitive firm?
- Q8. Derive AVC from the following data

Output(Units)	1	2	3	4	5	6	7
Marginal Cost(Rs.)	10	20	30	40	50	60	70

Long Answer type (6 Marks)-

- Q1. Illustrate graphically the relationship between LAC and LMC.
 Q2. Explain the relation between ATC, AVC and MC with the help of a suitable illustration.
 Q3. Calculate the MC and AVC each level of output from the following:-

Output(Units)	0	1	2	3	4
Total Cost(Rs.)	90	135	174	216	264

(3/4 Marks)

- Q1. Explain the law of diminishing returns to scale with schedule.
 Q2. What is relationship between TPP & MPP or explain the law of variable proportion with help of a diagram?
 Q3. Calculate APP & MPP of a factor from the following table.

Variable factor	0	1	2	3	4
TPP	0	4	10	18	26

- Q4. What is meant by producer's equilibrium?
 Q5. Explain the determinants of supply.
 Q6. With the price of a commodity rises from Rs. 2 to Rs. 3 if quantity supplied increases from 37 to 50 units. Calculate the price elasticity of supply?
 Q7. Distinguish between change in quantity supplied and change in supply.

UNIT – 4, FORMS OF MARKET AND PRICE DETERMINATION

- Q1. Define Monopoly
 Q2. Under which Market form, a firm is a price Market?
 Q3. In which Market form a firm faces a perfectly elastic demand curve?
 Q4. Define perfect competition?
 Q5. What is the shape of average revenue curve in Monopoly ?
 Q6. What is price discrimination?
 Q7. What is patent life ?
 Q8. What is patent rights ?
 Q9. In which Market form is there product differentiation ?
 Q10. In which Market Form the goods are sold at uniform price ?
 Q11. Give the examples of Monopoly ?
 Q12. Define Market

Q13. Define Market Equilibrium?

Q14. What is Equilibrium Price?

Q15. Give the meaning of Excess demand for a product?

Q16. Give the meaning of excess supply of the product ?

Q17. Give one example each of direct intervention and indirect intervention of the Government in the Market Mechanism?

Q18. What is the long terms profit maximizing condition and long run equilibrium for a perfectly competitive firm?

Q19. State the various ways in which a Monopoly Market structure may rise ?

Q20. How is equilibrium price determined?

Short Answer Questions (3&4) Marks

Q1. Write three features of perfect competition.

Q2. Explain any three features of Monopoly.

Q3. Distinguish between perfect competition and Monopoly

Q4. Distinguish between Monopoly and Monopolistic competition.

Q5. Distinguish between perfect competition and Monopolistic Competition.

Q6. Give the meaning of excess demand for a product.

Q7. Give the meaning of excess supply for a product.

Q8. Define market equilibrium.

Q9. Give the meaning of equilibrium price .

Q10. How does an increase in the price of a substitute good affect the equilibrium price?

Q11. How does an increase in input price affect the equilibrium quantity exchanged in the product market?

Q12. How does a favorable change in taste affect the market price and quantity exchanged?

Q13. How does a cost saving technological progress affect the market price and the quantity exchanged?

Q14. How does an increase in excise tax rate affect the market price and the quantity exchanged?

Q15. What is the effect of more competition on equilibrium price and quantity?

Q16. What is meant by price control?

Short Answer Question (3-4 Marks)

Q1. Show the determination of market equilibrium with the help of demand and supply schedules and a diagram.

Q2. Show that a decrease in demand does not always lead to a fall in the price of a commodity.

Q3. How does an increase in the income affect the equilibrium price of a product?

Long Question Answers (6Marks)

Q1. "Equilibrium price may or may not change with shifts in both demand & supply curves".
Comment.

When Equilibrium Price Changes

Q2. What will be the effect on market forces when government adopts:-

I) Price Control policy II) Price Support policy

UNIT- 5, NATIONAL INCOME AND RELATED AGGREGATES –

Q1. What is Microeconomics?

Q2. What is Macro Economics?

Q3. Give two examples of Micro economic variables

Q4. Give two examples of Macro economics variables

Q5. Difference between Micro and Macro economics

Q6. Which branch of economics deals with allocation of resources?

Q7. Which branch of economic deals with trade cycles, determination of the level of economic?

Q8. What is Circular flow of Income?

Q9. What is Leakages into Circular flow of Income?

Q10. What is Injections into circular flow of Income?

Q11. Explain the circular flow of Income in a two sector model

Q12. Complete the Equation = $NNP_{FC} = NNP_{MP}$

Q13. Define Real GNP.

Q14. Name the component of factor income.

Q15. If NDPFC is Rs. 1000 crores and NFIA is Rs.(-)5 crores, how much will be National Income ?

Q16. What are transfer payments?

Short Answer/Question (¾ Marks)

Q1. Explain briefly the income approach to measure national income.

Q2. Explain the following terms

i) Business fixed investment

ii) Inventory Investment

iii) Residential construction Investment

iv) Public Investment.

Q3. Given the following data :-

i) GDP_{FC} = 25,215 Crores

ii) Net Indirect Taxes = 1575 Crores

iii) Depreciation = 1000 Crores

iv) NFIA = 40 Crores

Calculate:-

i) GDP_{MP} ii) GNP_{MP} ii) NNP_{MP}

iv) NNP_{FC} v) NDP_{MP} vi) NDP_{FC}

UNIT -6, MONEY & BANKING -

- Q1. Define Barter System.
- Q2. Define C.C. Economy.
- Q3. What do you mean by double coincidence of wants?
- Q4. What monetary system does India follow?
- Q5. What is full bodied Money?
- Q6. What is credit money?
- Q7. Give example of near money.
- Q8. What is Money?
- Q9. What is the main function of money in an economic system?
- Q10. What is meant by medium of exchange?
- Q11. What is meant by measurement of value?
- Q12. What is money supply?

Short Answer type Question (3/4 marks)

- Q1. What are drawbacks of barter system?
- Q2. Explain the functions of money.
“Money is a matter of functions for a medium, a measure, a standard and a store.”
- Q3. How does Money help in removing drawback of Barter system?

OR

Describe importance of Money in Modern economy.

- Q4. Define a Bank
- Q5. Define Central Bank. Write the name of Central Bank of India.
- Q6. Which institution is responsible for the monetary policy of the country?
- Q7. Name the institution which issued the currency notes of the country.
- Q8. Write the functions of Central Bank.
- Q9. What is the meaning of Banking?
- Q10. How the Bank rates control the credit?

Long Question Answer:-

- Q1. Which are the Quantitative instrument to control the money supply and credit in the economy?
- Q2. Write the Qualitative instruments to control the credit of the Central Bank.
- Q3. Explain any two function of Central Bank.

Unit 7

The Determination of Income, Employment and output :-

- Q1. What determines level of S and I in classical frame work?
- Q2. What bring equality between S and I in Keynesion formula?
- Q3. What factors restore equality between demand for and supply of labour.
- Q4. What is marginal propensity to consume?
- Q5. What is average propensity to consume?
- Q6. Define consumption function.
- Q7. What is MPS?
- Q8. What is APS?
- Q9. What is relationship between MPC and MPS?
- Q10. What is the value of MPC if MPS is i) Zero.
- Q11. Define investment
- Q12. Name any 2 factors affecting marginal efficiency of capital(MEC).
- Q13. Define MEC.
- Q14. Define MEI.
- Q15. What determines household consumption demand in an economy?
- Q16. What is the effect of increase in level of income on level of consumption?
- Q17. State most important factor influencing consumption function.
- Q18. If disposable income is 1200cr. And the level of consumption is 800 cr. Find APC.
- Q19. What is Break Even point?
- Q20. What is saving function?
- Q21. If in an economy consumption is greater than income . What does it show?

Short type Answers (3 or 4 Marks)

- Q1. Name the components of aggregate demand (AD). Explain any one of them.
- Q2. Explain the concept of consumption function.
- Q3. Distinguish between APC and MPC. The value of which of them can be more than one and when?
- Q4. Explain the relationship between MPC and MPS.

Long Answer type Question (6 Marks each)

- Q1. What is consumption function? Explain using suitable diagram.
- Q2. What is Break Even point? Explain with the help of saving function.
- Q3. Explain diagrammatically Investment demand as a component of AD.

Very Short Answer type Question (1 Mark each)

- Q1. What is multiplier?
- Q2. What factors effects the value of multiplier?
- Q3. If the initial investment is Rs. 1000Cr. With the given value of $MPC = .8$. Find change in income.

- Q4. If MPS is .3. Find the value of MPC.
- Q5. If the income level is Rs. 3000 cr. And saving is Rs. 400 cr. What is consumption level.
- Q6. Find the value of multiplier if the value of MPC = a) 1 b) 0
- Q7. What is the relationship between i) Multiplier and MPC
ii) Multiplier and MPS
- Q8. What is the effect on income if the decrease in investment is Rs. 50Cr. Provided the value of multiplier is 5.
- Q9. What is equilibrium level of income?
- Q10. What is deficient demand?
- Q11. What is deflationary gap?
- Q12. What is excess demand?
- Q13. Name the policies by which we can correct the situation of excess demand and deficient demand.

Short Answer type Questions

- Q1 .What is deflationary gap? Explain with the help of diagram.
- Q2. What is inflationary gap? Explain with diagram.
- Q3. What are impacts of deficient demand or deflationary gap on the level of income, output, employment and prices?
- Q4. What will be the impact on income /output and price of excess demand (Inflationary gap)
- Q5. Explain the fiscal measures to correct the situation of deficient and excess demand.
- Q6. What is monetary policy? What monetary measure can be adopted to control the situation of excess demand?

Short Answer type Question ($\frac{3}{4}$ Marks)

- Q1. Distinguish between planned and actual saving and investment.
- Q2. In the Keynesian framework, C+I function (AD) is shown as upward parallel to consumption function . State the principle reason. Explaining with diagram.
- Q3. Differentiate between full employment equilibrium and underemployment equilibrium.
- Q4. With the help of table show the working of multiplier.

Long Answer type Question (6 Marks)

- Q1. Diagrammatically explain the theory of the determination of the level of income and employment with the help of AD and AS. Is it always full employment level?
- Q2. Explain the concept of underemployment equilibrium with the help of diagram. Show on the same diagram the additional investment required to achieve full employment equilibrium.
- Q3. Diagrammatically explain the equilibrium level of income with the help of saving and investment curve. If savings exceed investment what changes will bring equality between them? Determine the level of equilibrium with the help of saving and Investment.

UNIT- 8, GOVERNMENT BUDGET AND THE ECONOMY

- Q1. Give the meaning of budget.
- Q2. Name the two components of budget.
- Q3. Why is borrowings considered as Capital receipt?
- Q4. Define tax
- Q5. Give two example of direct tax.
- Q6. Give two example of indirect tax.
- Q7. Give two example of non-tax revenue.
- Q8. When Budget is normally presented in the Parliament?
- Q9. Why is tax not a Capital receipt?
- Q10. Give two example of revenue expenditure.
- Q11. Give two example of Capital expenditure.
- Q12. Give two examples of developmental expenditure.
- Q13. Give two example of non-development expenditure.
- Q14. What is balanced budget?
- Q15. What is Surplus budget?
- Q16. What is deficit budget?
- Q17. Give the formula to calculate 'revenue deficit'.
- Q18. Give the formula to calculate 'fiscal deficit'.
- Q19. Give the formula to calculate 'primary deficit'.
- Q20. Define Capital receipts.
- Q21. Define revenue receipts.
- Q22. Define revenue expenditure.
- Q23. Define Capital expenditure.
- Q24. Define plan expenditure.
- Q25. What do you understand by non-plan expenditure?
- Q26. Define development expenditure.
- Q27. Define non-development expenditure.
- Q28. Give two sources of Capital receipts.
- Q29. Give one objective of budget.
- Q30. Define direct tax.
- Q31. Define indirect tax.

Short Answer Question (3/4 Mark)

- Q1. Write any three objective of government Budget.
- Q2. Explain the basis of classifying government receipts into revenue receipts and capital receipts.
- Q3. Distinguish between direct tax and indirect tax
- Q4. Define revenue receipts. Write the groups in which they are classified.
- Q5. Distinguish between Revenue and Capital expenditure.
- Q6. Write a note on plan and non-plan expenditure of the government with example.

Q7. Distinguish between development and non-developmental Expenditure.

UNIT -9 BALANCE OF PAYMENT & FOREIGN EXCHANGE RATE

Q1. What is meant by balance payment?

Q2:- What is meant by balance of trade?

Q3. Give two examples of invisible items of balance of payments.

Q4. Name the two accounts of balance of payment.

Q5. What types of activities are recorded in the current account of balance of payment?

Q6. What type of transactions is recorded in the capital account of balance of payments?

Q7. What are unilateral transfers or unrequited transfers?

Q8. Are exports and imports recorded as positive or negative items in foreign exchange?

Q9. Give an example of private unrequited transfers.

Q10. Give an example of official unrequited transfers.

Q11. What is meant by 'Portfolio Investment' in the capital account transactions?

Q12. What is meant by 'Direct Investment' in the capital account transactions?

Short Answer Questions:-

Q1. Differentiate between balance of payment and balance of trade.

Q2. Explain the components of capital account

Q3. Differentiate between autonomous and accommodating items.

Q4. Describe the cause for disequilibrium in the BOP.

FOREIGN EXCHANGE RATE-

Q1. What is the meaning of foreign exchange rate?

Q2. What is a foreign Exchange Market?

Q3. State any two functions of foreign exchange market?

Q4. Give two reasons for the people to acquire foreign exchange.

Q5. Give two ways through which foreign currencies can flow into the domestic economy.

Q6. What is the shape of the demand curve the foreign exchange market?

Q7. What is the shape of the supply curve of foreign exchange?

Q8. What do you mean by currency depreciation and currency devaluation?

Q9. What is fixed exchange rate system?

Q10. What was adjustable peg system?

Q11. What is flexible exchange rate system?

Q12. What is the wider bands system of foreign exchange rate determination?

Q13. What is the crawling peg system of foreign exchange?

Q14. What is the managed floating system of exchange rate determination?

Q15. What is dirty floating?

Q16. What is spot market in foreign exchange?

Q17. What is forward market in foreign exchange?

Short Answer Questions:-

- Q1. State main sources of demand and supply for foreign currency.
- Q2. State three main source of supply of foreign currencies into the domestic economy.
- Q3. Describe the equilibrium in the foreign exchange market.