

Directorate of Education
Govt. of NCT of Delhi

Practice Test Material

2015-2016

Subject : Economics
Class : XII

Under the guidance of :
Addl. DE (School/Exam)

PRACTICE TEST-1

CLASS: XII

SUBJECT: ECONOMICS

NATIONAL INCOME AND RELATED AGGREGATES-1

Time : 50 min.

M.M. 25

One mark questions (1x4=4)

1. Personal Income excludes :
(a) NFIA (b) Corporate Tax (c) Personal Taxes (d) Current Transfers
2. Total incomes of households from all sources is known as :
(a) personal income (b) private income (c) personal disposable income
(d) private income
3. Which of the following is flow
(a) capital (b) depreciation (c) foreign debt (d) inventories
4. Give two example of micro variables.

Three mark questions (3x5=15)

5. Distinguish between factor income and transfer income.
6. State three precautions of 'value added method' of calculating national income.
7. Why we get national income at factor cost whereas national disposable income at market price?
8. Write down some of the limitation of using GDP as an index of welfare of a country.
9. Giving reason classify the following into intermediate products and final products.
 - a) Furniture purchased by a school
 - b) Chalk-duster etc. purchased by a school

Six mark questions (6x1=6)

10. Giving reasons, explain how the following are treated while estimating national income.
 - a) Payment of fees to a lawyer engaged by a firm
 - b) Rent-free house to an employee by an employer
 - c) Purchases by foreign tourists

PRACTICE TEST-2

CLASS: XII

SUBJECT: ECONOMICS

NATIONAL INCOME AND RELATED AGGREGATES-2

Time : 50 min.

M.M. 25

One mark questions (1x4=4)

1. Give two examples of stock.
2. Define "Operating surplus".
3. Define capital goods.
4. Who is "Normal Residents"

Three mark questions (3x5=15)

5. Explain the circular flow of income.
6. Giving an example explain the positive externalities.
7. State three precautions of income method of measuring national income.
8. Cash transfer of subsidy on LPG raises annual income of the households. Does it mean a rise in domestic income. Justify.
9. State whether the following statement are true or false. Give reasons:
 - a) Capital formation is a flow
 - b) Bread is always a consumer good.

Six mark questions (6x1=6)

10. What are non-monetary exchange? Give an example, explain their impact on use of gross domestic products as an index of welfare of the people.

PRACTICE TEST-3

CLASS: XII

SUBJECT: ECONOMICS

MONEY AND BANKING-1

Time : 50 min.

M.M. 25

One mark question (1x4=4)

1. What is meant by money?
2. Define margin requirement.
3. What do you mean by double coincidence of work?
4. What do you mean by open market operation?

Three mark questions (3x5=15)

5. Explain the unit of account function of money.
6. Explain the medium of exchange function of money.
7. Define CRR & SLR. How can they be used to control the situation of excess money supply.
8. Calculate the total deposits created by commercial banks if reserve ratio is 10% and primary deposits is Rs. 1200crore.
9. Explain any two function of Central Bank.

Six mark questions (6x1=6)

10. Discuss the difference between a central bank and commercial bank.

PRACTICE TEST-4

CLASS: XII

SUBJECT: ECONOMICS

MONEY AND BANKING-2

Time : 50 min.

M.M. 25

One mark question (1x4=4)

1. What is barter?
2. What is meant by medium of exchange?
3. What is banking?
4. State the components of money supply.

Three mark questions (3x5=15)

5. State any one problem of barter system. How does money solved this problem.
6. Explain the store of value function of money.
7. Explain the lender of last resort function the Central Bank.
8. What is the central bank's function as currency authority?
9. Explain the banker to the government function of central bank.

Six mark questions (6x1=6)

10. How does a commercial bank create money?

PRACTICE TEST-5

CLASS: XII

SUBJECT: ECONOMICS

THEORY OF INCOME AND EMPLOYMENT-1

Time : 50 min.

M.M. 25

1. Fill in the blanks :
 - a. The great depression of the world took place in _____.
 - b. A general theory of employment, interest and money was presented by _____.
 - c. If MPC and MPS are equal, the value of the multiplier is _____.
 - d. The level of consumption which is independent of the level of income _____. 1x4=4
2. Explain the following component of AD :
 - a. Investment demand
 - b. Government demand for goods and services 3
3. Explain the meaning of investment multiplier. What can be its minimum value and why? 3
4. Can an economy be in a state of under employment equilibrium? Explain with the help of a diagram.
5. Explain the concept of Ex-ante and Ex-post savings/Investment? 3
6. In an economy, investment expenditure is increased by Rs. 400 crores and $mpc = 0.8$. Calculate the total increase in income and savings. 3
7. Explain the equilibrium level of income with the help of saving and investment curves. If savings exceed planned investment what changes will bring about equality between them? 6

PRACTICE TEST-6

CLASS: XII

SUBJECT: ECONOMICS

ECONOMICS PRACTICE TEST

Time : 50 min.

M.M. 25

1. Fill in the blanks :
 - a. While measuring AD, we always refer to _____ (ex-ante/ex-post) expenditure by the people.
 - b. _____ is the expected rate of return from a new capital asset.
 - c. _____ refers to the investment which is made with the motive of earning profit. It is directly influenced by income level.
 - d. _____ establishes a relationship between additional investment and additional income. 1x4=4
2. Distinguish between full employment equilibrium and under-employment equilibrium? 3
3. Explain the concept of deflationary gap with the help of diagram. 3
4. Define excess demand. Explain impact of excess demand in the economy. 3
5. Explain any two measures by which a central bank can attempt to reduce deflationary gap. 3
6. Define fiscal policy? Explain how change in government expenditure affect demand in an economy? 3
7.
 - a. Saving provides economics security in future but why it is not good from the view point of investment multiplier.
 - b. What impact will be there on economy when there is planned investment less than planned saving? What steps should be taken by government to maintain equilibrium in an economy? 3x2=6

PRACTICE TEST-7

CLASS: XII

SUBJECT: ECONOMICS

GOVERNMENT BUDGET & ECONOMY-1

Time : 50 min.

M.M. 25

1. What is a progressive tax? 1
2. Define non plan expenditure. 1
3. Why are subsidies treated as revenue expenditure? 1
4. State any two sources of non tax revenue. 1
5. Giving reasons classify the following into direct and indirect tax: 3
(i) wealth tax (ii) VAT
6. Deficit budget is a growth as well as welfare driven budget. Explain. 3
7. How can a budget ensure the balanced regional growth? 3
8. If the value of fiscal deficit is Rs. 16000 crores and total expenditure of the government is Rs. 24000 crores. Find out the value of total receipts (Ans. Rs. 8,000 crores). 3
9. Giving reasons categorize the following into revenue expenditure and capital expenditure. 3
(a) grants given to state government (b) repayment of loan (c) construction of school building
10. Inflationary pressure harms the poor people most. Can government budget be helpful in reducing it. Explain how? 3
11. Distinguish between capital receipts and revenue receipts. Give examples. 3

PRACTICE TEST-8

CLASS: XII

SUBJECT: ECONOMICS

GOVERNMENT BUDGET & ECONOMY-2

Time : 50 min.

M.M. 25

1. Define revenue receipts of the government budget. 1
2. Give one negative implications of surplus budget. 1
3. Name the budget wherein estimated revenue falls short of the estimate expenditure. 1
4. Give the formula of fiscal deficit. 1
5. Fiscal deficit is always injurious to the economy and leads to financial unsoundness? Explain. 3
6. When total receipts of the government (except borrowings) are Rs. 24000 crores and total expenditure are Rs. 30,000 crores. Calculate primary deficit of the economy. (assume interest payment is Rs. 500 crores) (Ans. Rs. 5,500 crores) 3
7. The worst effect of depression like tendencies is unemployment. Can government budget be helpful in fighting it? Explain. 3
8. Does public debt impose a burden? Explain. 3
9. What measures are to be taken by the government to reduce fiscal deficit? 3
10. Distinguish between direct tax and indirect tax. Give two examples of each. 3
11. Categorise the following government receipts into revenue and capital receipt. Give reasons for your answer : 3
 - a) Receipts from the sale of share of a public sector undertaking
 - b) Borrowings from public
 - c) Profits of public sector undertaking

PRACTICE TEST-9

CLASS: XII

SUBJECT: ECONOMICS

FOREIGN EXCHANGE AND BALANCE OF PAYMENT-1

Time : 50 min.

M.M. 25

1. A change from Rs. 140 = 2 \$ to Rs. 60 = 1 \$ indicates that Rs. is
(a) appreciating (b) depreciating
(c) neither (a) and (b) (d) either (a) or (b) 1
2. Supply curve of foreign exchange:
(a) Horizontal straight line parallel to x-axis
(b) Slope upwards
(c) Vertical straight line parallel to y-axis
(d) Slope downwards 1
3. Autonomous transactions takes place on
(a) Current Account (b) Capital Account
(c) Both (a) and (b) (d) Neither (a) nor (b) 1
4. Give meaning of managed floating exchange rate. 1
5. Differentiate between devaluation and depreciation of domestic currency. 3
6. When price of a foreign currency rises, its demand falls. Explain why? 3
7. Distinguish between balance of trade and balance of payments. 3
8. State the components of current account of balance of payments account. 3
9. Explain the effect of appreciation of domestic currency on exports. 3
10. Explain the distinction between autonomous and accommodating transactions in balance of payments. Also explain the concept of balance of payments 'deficit' in this context. 6

PRACTICE TEST-10

CLASS: XII

SUBJECT: ECONOMICS

FOREIGN EXCHANGE AND BALANCE OF PAYMENT-2

Time : 50 min.

M.M. 25

1. Imports of goods and services raises the ____ of foreign exchange. 1
(a) supply (b) demand
(c) both (a) and (b) (d) neither (a) or (b)
2. Depreciation of domestic currency leads to rise in 1
(a) exports (b) imports
(c) both (a) and (b) (d) neither (a) nor (b)
3. Balance of payment is a ____ concept. 1
(a) stock (b) flow
(c) either (a) or(b) (d) Neither (a) nor (b) 1
4. What does balance of payments mean? 1
5. State the components of capital account of balance of payment. 3
6. Distinguish between balance on trade account and balance on current account. 3
7. Explain the meaning of deficit in balance of payments. 3
8. Distinguish between fixed and flexible exchange rate. 3
9. Why does the demand curve of foreign exchange slope downwards? 3
10. Briefly discuss the major reasons for demand and supply of foreign exchange. 3

PRACTICE TEST-11

CLASS: XII

SUBJECT: ECONOMICS

INTRODUCTION AND UTILITY AND INDIFFERENCE CURVE APPROACH

Time : 50 min.

M.M. 25

1. In which situation, can PPC be a straight line: 1
(a) when MRT is decreasing (b) when MRT is constant
(c) when MRT is increasing (d) none of these
2. Which of the following will not lead to shift in PPC? 1
(a) upgradation of technology (b) exploration of new oil reserves
(c) massive unemployment (d) destruction of resources
3. If $\frac{MU_x}{P_x} > \frac{MU_y}{P_y}$, then to reach the equilibrium position, consumer should: 1
(a) stop buying any commodity
(b) buy both the commodities in equal quantity
(c) buy more of X and less of Y
(d) buy more of Y and less of X
4. Define economy. 1
5. Explain the distinction between the equation of budget line and budget set. 3
6. Explain the effect of floods in Jammu and Kashmir on its PPF. 3
7. "How to produce" is one of the central problems of an economy? Our government is stressing on using labour intensive technique of production. Do you agree?
8. What is meant by marginal utility? State the law of diminishing marginal utility. 3
9. Explain conditions determining how many units of a good consumer will buy at a given price. 3
10. Define consumer's equilibrium. Explain its conditions under indifference curve analysis. 6

PRACTICE TEST-12

CLASS: XII

SUBJECT: ECONOMICS

INTRODUCTION, UTILITY & INDIFFERENCE CURVE-2

Time : 50 min.

M.M. 25

1. A point outside the PPF indicates: 1
(a) fuller utilisation of resources (b) under utilisation of resources
(c) unattainable combination (d) none of these
2. Which of the following is a cause of economic problem? 1
(a) scarcity of resources (b) unlimited wants
(c) alternative uses (d) all of these
3. According to the law of diminishing marginal utility satisfaction obtained from consumption of each successive units. 1
(a) increases (b) decreases
(c) remains same (d) either increases or decreases
4. Indifference curves are convex to the origin because of : 1
(a) increasing MRS (b) diminishing MRS
(c) law of diminishing marginal utility (d) law of Equi-marginal utility
5. What is opportunity cost? Explain with the help of a numerical example? 3
6. Explain the central problem of “for whom to produce”. 3
7. Explain why a production possibility frontier is concave? 3
8. What are monotonic preferences? Explain why an indifference curve is downward sloping from left to right. 3
9. Explain the relation between total utility and marginal utility. 3
10. A consumer consumes only two goods. Explain consumer’s equilibrium with the help of utility approach. 6

PRACTICE TEST-13

CLASS: XII

SUBJECT: ECONOMICS

DEMAND AND ELASTICITY OF DEMAND-1

Time : 50 min.

M.M. 25

1. Define demand function. 1
2. Which of the following is not a determinant of price elasticity of demand? 1
(a) nature of good (b) availability of close substitute
(c) prices of inputs (d) level of income
3. What do you mean by a normal good? 1
4. Answer in one sentence the assumptions on which a demand curve is constructed. 1
5. Do you agree with a view that a good may be 'inferior' to one but 'normal' to the other? 3
6. "Indian markets are generally price sensitive". What type of elasticity of demand does it indicate? 3
7. How is the price elasticity of demand of a commodity affected by the number of its substitutes? Explain. 3
8. State the effects of the following changes for a commodity by an individual household: 3
a) A rise in the income of household
b) A fall in the price of substitute good
9. What is the relation between good X and good Y in each case, if with fall in the price of X, demand for good Y (i) rises and (ii) falls? Give reasons. 3
10. Explain three causes each for a right ward shift and a left ward shift of demand curve. 6

PRACTICE TEST-16
CLASS: XII
SUBJECT: ECONOMICS
THEORY OF PRODUCTION-2

Time : 50 min.

M.M. 25

1. MC is the slope of
(a) TC (b) AC (c) AVC (d) TFC
2. Disguised unemployment is an example of:
(a) increasing returns to a factor (b) positive returns to a factor
(c) diminishing returns to scale (d) negative returns
3. Increase in the minimum wage rate
(a) shifts supply curve to the right (b) shifts supply curve to the left
(c) leads to contraction in supply (d) cannot affect the supply curve
4. Slope of the supply curve and price elasticity of supply
(a) are one and the same (b) directly related
(c) inversely related (d) not related
5. Excise duty on cigarettes is increased in the budget year after year. How is the above policy expected to affect the supply of cigarettes? What value is depicted by this move?
6. A new technique reduces the cost of producing steel. How will it affect the supply curve of steel in the market?
7. Identify the producer's equilibrium in the following with reason:

Price	8	7	6	5	4
Output	1	2	3	4	5
TC	5	8	12	15	19

8. State true/false with reasons
 - a) TP increases when MP increases
 - b) When AR is constant, MR is zero
 - c) When MC Falls, AC also falls
9. The market price of good changes from Rs. 5 to Rs. 20. As a result, the quantity supplied by a firm increase 15 units. Price elasticity of the firm's supply curve is 0.5. Find initial and final output.
10. State the three stages of law of variable proportion. Which stages of law of variable proportion is the ideal stage for a producer? What can the producer do to postpone the stage of diminishing returns to a factor?

PRACTICE TEST-17
CLASS: XII
SUBJECT: ECONOMICS
COST AND REVENUE-1

Time : 50 min.

M.M. 25

One mark questions (1x4=4)

1. Define marginal cost.
2. Which cost curve is of shape of rectangular hyperbola?
3. Give two example of fixed cost?
4. What will be the behaviour of TVC if MC remains constant?

Three mark questions (3x5=15)

5. Giving example distinguish between fixed cost and variable cost.
6. What do you mean by AFC? State its behaviour.
7. State the behaviour of AR and MR in perfect and imperfect market.
8. Draw TC, TFC and TVC in a single diagram.
9. Why short-run cost curves are U-shaped?

Six mark questions (6x1=6)

10. Distinguish between AFC and AVC. Why AC and AVC can't intersect each other? Explain with the help of diagram.

PRACTICE TEST-18
CLASS: XII
SUBJECT: ECONOMICS
COST AND REVENUE-2

Time : 50 min.

M.M. 25

One mark questions (1x4=4)

1. Which cost curve from following is U-shaped
(a) AFC (b) TC (c) ATC (d) TVC
2. If a firm can sell more quantity of output by lowering the price, then
(a) $AR < MR$ (b) $MR < AR$ (c) $AR = MR$ (d) $AC = AR$
3. What does cost mean in economics?
4. Define marginal revenue.

Three mark questions (3x5=15)

5. State the relationship between AR & MR.
6. Distinguish between explicit and implicit cost.
7. Draw AC, AVC & MC in a single diagram.
8. State the relationship between MR & TR.
9. Why SMC is of U-shaped?

Six mark questions (6x1=6)

10. Define TVC? Explain the behaviour of TVC. Write the reasons behind such behaviour.

PRACTICE TEST-19

CLASS: XII

SUBJECT: ECONOMICS

SUPPLY AND PRODUCER'S EQUILIBRIUM-1

Time : 50 min.

M.M. 25

1. Price of a good falls from Rs. 30 to Rs. 20. How will it affect supply? 1
2. A mobile company has enough period to raise the supply, what type of elasticity of supply it has? 1
3. The E_s of a supply curve passing through the origin is equal to 1 when it makes an angle of:
(a) 45° (b) 75° (c) 65° (d) any of the above 1
4. Why a producer approaches to be in equilibrium? 1
5. Price of a product cannot be raised due to certain reasons. Is there any measures to raise the supply of the product? Explain. 3
6. How 'Make in India' programme can affect the supply of durable goods and why? 3
7. Crude oil is imported, so what will be its elasticity and why? 3
8. What does producer's equilibrium determine? 3
9. During short period, a producer has a risk of earning losses as well as super normal profits. Defend or refute. 3
10. If $MR > MC$, the producer will be earning profit. How will he decide the level of output to be in equilibrium? 6

PRACTICE TEST-20

CLASS: XII

SUBJECT: ECONOMICS

SUPPLY AND PRODUCER'S EQUILIBRIUM-2

Time : 50 min.

M.M. 25

1. Due to untimely rain and hailstorm, the crop of Potato has ruined, what will be the effect on supply curve? 1
2. Supply and stock are the same for : 1
 - a) all the type of goods
 - b) perishable goods
 - c) technological goods
 - d) none of the above
3. Supply curve rises upward shows operation of 1
 - a) diminishing returns
 - b) increasing returns
 - c) constant returns
 - d) none of the above
4. How do we identify that a producer is in equilibrium? 1
5. During the great depression in capitalist countries, the production of rubber, tea etc. was restricted, how it affected the supply? Use diagram. 3
6. A supply curve passes through the origin. What will be the elasticity of supply at various points on the curve and why? 3
7. "Supply of agricultural good is inelastic". Explain why? 3
8. If 25 percent rise in price of inputs leads to 20 percent fall in supply. What will be the percentage change in price of the good if $E_s = 2$. 3
9. Under perfect competition, a firm gain higher profits, during short period or long period and why? 3
10. Evaluate the following table and answer the questions:
 1. Are the firms A, B and C in equilibrium? How?
 2. Are they all earning profits. Explain.

Level of output (units)	Firm A			Firm B			Firm C		
	MR	MC	AC	MR	MC	AC	MR	MC	AC
5	7	7	6	7	7	7	7	7	8
6	7	9	7	7	9	8	7	9	10

PRACTICE TEST-21

CLASS: XII

SUBJECT: ECONOMICS

MARKET AND PRICE DETERMINATION-1

Time : 50 min.

M.M. 25

1. Define market.
2. In which market demand is perfectly elastic?
3. How does an increase in excise tax rate affect the market price and quantity exchanged?
4. What is meant by market equilibrium?
5. Explain the implication of homogenous product feature of perfect competition.
6. What is price discrimination? Give two example of the power of a monopolist to practice price discrimination.
7. Why is the demand curve facing a monopolistically competitive firm likely to be very elastic?
8. Why is the number of firms small in an oligopoly market? Explain.
9. "Changes in both demand and supply of a commodity may not affect its equilibrium price." Explain.
10. Explain how the equilibrium price and quantity of a commodity is affected by a fall in the prices of its substitutes?

PRACTICE TEST-22

CLASS: XII

SUBJECT: ECONOMICS

MARKET AND PRICE DETERMINATION-2

Time : 50 min.

M.M. 25

1. What are selling costs?
2. Under which market firm is a price taker.
3. What is market period?
4. Give the meaning of excess supply of a product.
5. Explain 'freedom of entry and exit of firms' feature of perfect competition.
6. Why a firm under perfect competition earn normal profit in long run?
7. There are different brand of cell phone sold in India at a competitive price. What form of market it is?
8. State three features of Monopolistic competition.
9. Explain how firms are interdependent in an oligopoly market.
10. How is equilibrium price of a commodity determined? What happens if the market price is more than the equilibrium price?