D A V KAPILDEV PUBLIC SCHOOL, KADRU, RANCHI
CHAPTERWISE
Sample paper (2024-25)

CLASS – XII
SUB: ECONOMICS

F.M. - 80
TIME: 3 HRS

INSTRUCTIONS:

1. All questions in both sections are compulsory. (N.A)PP
2. Marks for questions are indicated against each question.
3. Question no. 1-20 are very short answer question carrying 1 mark each. They are required to be answered in one sentence.
4. Question no. 21-24 are short answer question carrying 3 marks each. Answer to them should not normally exceed 60 words.
5. Question no. 25-30 are also short answer questions carrying 4 marks each. Answer to them should not normally exceed 80 words.
6. Question no. 31-34 are long answer questions carrying 6 marks each. Answer to them should not normally exceed 100 words each.

TOPIC - -MACROECONOMICS
CHAPTER- 3. DETRMINATION OF INCOME AND EMPLOYMENT

1. Identify the correct sequence of alternatives given in column II by matching them with respective terms in column I.

Column I	**Column II**
A. Fiscal measures to correct deficient demand	1. Increase in repo rate
B. Monetary measures to control excess demand	2. More public spending
C. Deficient demand leads to	3. Rise in prices
D. Excess demand leads to	4. Fall in prices

Choose the correct alternatives
(a) 4 2 3 1 (b) 3 4 2 1 (c) 2 1 4 3 (d) 1 2 3 4

2. Which of the following forms a part of a fiscal policy?
(a) Margin requirements (b) Government expenditure
(c) CRR (d) None of these

3. Identify the correct statement
(a) Increase in AD always leads to increase in output and employment
(b) Increase in AD beyond full employment level causes inflation
(c) Deficit financing leads to decrease in AD
(d) Equality between AD and AS implies the situation of full employment in the economy

4. The suggested monetary measures to control the situation of access demand?
(a) Cut in deficit financing (b) Reduction in cash reserve ratio(CRR)
(C) Lowering the bank rate (d) Selling of government securities in the market

Case study based questions

<u>Read the paragraph given below and answer the questions no.5-8.</u>

The investment multiplier is an important concept of Keynesian Macroeconomic theory. It refers to the concept that any increase in public or private investment spending has a more than proportionate positive impact on aggregate income and the general economy. The multiplier attempts to quantify the additional effects of investment spending beyond those immediately measurable. The larger an

investment multiplier, the more efficient it is increasing and distributing wealth throughout the economy.
In simple words. the investment multiplier can be defined as the ratio of the change in national income to the initial change in planned investment expenditure that brings about it.

5.The value of multiplier is:
(a) 1/MPC (b) 1/MPS (c) 1/1-MPS (d) 1/MPC-1
6. If MPC = 1, the value of the multiplier is:
(a) 0 (b) 1 (c) Between 0 and 1 (d) Infinity
7. The concept of investment multiplier is rooted in economic theories of.........
(a) Adam Smith (b) John Maynard Keynes (c) Alfred Marshall (d) David Ricardo
8. If the value of marginal propensity to save is 0.4, what will be the value of Investment multiplier?
(a) 4 (b) 5 (c) 2 (d) 2.5

Read the paragraph given below and answer the questions no.9-12.
Both monetary and fiscal policy play a key role in maintaining price stability in the economy. Monetary policy is the policy adopted by the Central bank to control credit and money supply in the economy. On the other hand, Fiscal policy is the revenue and expenditure policy adopted by the government to strike a balance between aggregate demand and aggregate supply Monetary policy and Fiscal policy are very different but how they interact with each other matters for the economy. While each is independent from the other, new challenges call for them to work together. Monetary and Fiscal policy are two important tools to keep the economy healthy. Both influence the economy but in different ways. Monetary policy is about keeping the prices of the goods and services stable in the economy. It is the Central bank's obligation to make sure that inflation remains low, stable and predictable. Fiscal policy refers to the economic decisions that the Government takes Governments can decide to spend money to provide public services, support the economy and reduce inequalities. They can collect this money through taxes or by borrowing from financial markets.

9. Which one of the following is a fiscal measure to maintain price stability in the economy?
(a) Taxes (b) Bank rate (c) Open market operations (d) Moral Suasion
10. Which one of the following is a qualitative tool under monetary policy?
(a) Moral suasion (b) Open market operations
(c) Bank rate (d) Cash reserve ratio
11. The excess of aggregate demand over aggregate supply at the full employment level is known ...... (Inflationary gap/deflationary gap)
12. During the situation of excess demand, the Government .... increases/decreases) the tax rate on income and profit.

Assertion and Reason

In the following questions (13-14), a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct alternative among those given below
Alternatives:
(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

13. **Assertion (A)**: Under deflationary gap, involuntary unemployment occurs in the economy.
Reason (R): In a state of underemployment equilibrium, there is no excess capacity in the economy.

14. **Assertion (A)**: CRR is lowered to correct deficient demand.
Reason (R): Reverse repo rate is increased to correct excess demand.

In the following questions (15-16) two statements are given. Read the statements carefully and choose the correct alternative among those given below

Alternatives:
(A) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

15. **Statement** 1: Full employment implies there is zero unemployment in the economy.
Statement 2: The problem of unemployment means the problem of voluntary unemployment

16. **Statement** 1: Dear money policy is pursued to curb excess demand
Statement 2: This policy increases the availability of credit and reduces the cost of credit.

17. According to classical economists, real wage rate is _______ to the Marginal Productivity of Labour.
(a) Equal (b) More (c) Less (d) None of these

18.. An increase in aggregate demand of equilibrium level of income and employment causes an increase in:
(a) Employment (b) Production (c) Income (d) All of these

19. In Keynesian economics, the state of Deficit Demand is called as:
(a) Full Employment Equilibrium (b) Under Full Employment Equilibrium
(c) Both (a) and (b) (d) None of the above

20. Which of the following causes the trade cycle?
(a) Deflationary Conditions (b) Inflationary Conditions
(c) Both (a) and (b) (d) None of these

21. Why does consumption curve not start from the origin?

22. State the relationship between MPS and MPC.

OR

Calculate C when $\bar{C}$ = 200, MPC = 0.5 and income (Y) = 1,000

23. What are the two determinants of investment?

24. If S exceeds I in an economy, what will be its effect on level of income?

OR

.How is full employment equilibrium determined?

25. If MPC and MPS are equal, what is the value of the multiplier?

26. If investment multiplier is one, what will be the value of Marginal Propensity to Consume?

27. Explain the effects of excess demand and deficient demand on output,

employment and prices.

28. Write one monetary measure to correct deficient demand.

OR

Suggest one fiscal measure to correct deficient demand.

29. Distinguish between Average Propensity to Save and Marginal Propensity to Save. The value of which of these two can be negative and when?

30. Given consumption function $C = 100 + 0.75Y$ (where C = consumption expenditure and y = National Income and investment expenditure ₹ 1000. Calculate:

(i) Equilibrium level of National Income

(ii) Consumption expenditure at equilibrium level of National Income

OR

Explain the working of investment multiplier with the help of a table.

31. Explain the determination of equilibrium level of income using the 'saving-investment' approach. Use diagram.

OR

Explain determination of national income equilibrium using AD and AS approach. Use diagram to explain the changes that take place when AD is greater than AS.

32. Define multiplier. What is the relation between marginal propensity to consume and multiplier? Calculate the marginal propensity to consume if the value of multiplier is 4.

33. Giving reasons, state whether the following statements are true or false:

(i) When MPC is zero, the value of investment multiplier will also be zero.

(ii) Value of APS can never be less than zero.

34. Explain the meaning and implications of a deflationary gap.

OR

What is meant by inflationary gap? State three measures to reduce this gap.