Class XII Economics — Practice Paper 1

Practice paper in the CBSE section pattern · Time: 1 hour · Maximum marks: 30

General instructions
1. This is an original practice paper, shorter than a board paper. It is not an official CBSE sample paper; official sample papers are published at cbseacademic.nic.in.
2. All questions are compulsory. Marks are shown in brackets.
3. Section A has 1-mark questions, Section B 2-mark, Section C 3-mark, Section D a 5-mark question and Section E a case-based question.
4. Write neatly, show your working and check your answers in the last five minutes.

Section A (6 marks)

Multiple choice and assertion–reason. 1 mark each.

1. Which is a stock concept? [1]
   (a) income
   (b) wealth
   (c) consumption
   (d) saving during a year

2. If the marginal propensity to consume is 0.8, the investment multiplier is: [1]
   (a) 2
   (b) 4
   (c) 5
   (d) 8

3. A market with a single seller and no close substitutes is: [1]

4. 'When price falls, quantity demanded rises, other things equal' is the law of: [1]

5. In India, the repo rate is set by the: [1]
   (a) Ministry of Finance
   (b) Reserve Bank of India
   (c) SEBI
   (d) commercial banks

6. Assertion (A): A firm under perfect competition is a price taker. [1]
   Reason (R): There are many buyers and sellers of a homogeneous product.
   (a) Both true, R explains A
   (b) Both true, R does not explain A
   (c) A true, R false
   (d) A false, R true

Section B (6 marks)

Very short answers. 2 marks each.

7. Distinguish between final goods and intermediate goods, with one example each. [2]

8. Price falls from ₹10 to ₹8 and quantity demanded rises from 100 to 120 units. Find the price elasticity of demand. [2]

9. State two functions of a central bank. [2]

Section C (9 marks)

Short answers. 3 marks each.

10. Private consumption 500, investment 200, government spending 150, net exports −50 (₹ crore). Find GDP at market price by the expenditure method. [3]

11. Why is the short-run marginal cost curve U-shaped? [3]

12. Explain revenue deficit, fiscal deficit and primary deficit. [3]

Section D (5 marks)

Long answer. 5 marks.

13. Explain the working of the investment multiplier. If MPC = 0.75 and investment rises by ₹100 crore, find the rise in income and show the first three rounds. [5]

Section E (4 marks)

Case-based question. 4 marks.

14. A newspaper reports that a country's exports of software services rose while its imports of crude oil also rose, and that foreign companies invested in new factories there. [4]
    (i) Which of these items go in the current account and which in the capital account? (2)
    (ii) What is the balance of payments? (1)
    (iii) What is a trade deficit? (1)

Answer key and marking guide

Award marks for each correct step shown in brackets. Accept any correct method or equivalent wording; value points are a guide, not a script.

Section A

Q	Answer	Marking
1	(b) wealth	1 mark for the correct answer.
2	(c) 5	k = 1/(1 − MPC).
3	monopoly	1 mark for the correct answer.
4	demand	1 mark for the correct answer.
5	(b) RBI	1 mark for the correct answer.
6	(a)	1 mark for the correct answer.

Section B

Q	Answer	Marking
7	Final goods are for end use (bread bought by a family); intermediate goods are used up in production (flour bought by a bakery)	Difference (1); examples (1).
8	1 (unitary elastic)	% change in Q = 20%, % change in P = 20% (1); Ed = 1 (1).
9	Bank of issue; banker to the government; bankers' bank; controller of credit	Any two, 1 each.

Section C

Q	Answer	Marking
10	₹800 crore	Formula C + I + G + (X − M) (1); substitution (1); answer (1).
11	Increasing returns to a factor first lower MC; diminishing returns later raise it — the law of variable proportions	Falling part (1); rising part (1); law named (1).
12	Revenue expenditure − revenue receipts; total expenditure − total receipts excluding borrowing; fiscal deficit − interest payments	1 mark each.

Section D

Q	Answer	Marking
13	k = 4; ΔY = ₹400 crore; rounds: 100, 75, 56.25 …	Meaning (1); k = 1/(1 − MPC) = 4 (1); ΔY = 400 (1); rounds (2).

Section E

Q	Answer	Marking
14	(i) Software exports and oil imports: current account; foreign investment in factories: capital account (ii) A record of all economic transactions with the rest of the world in a period (iii) Imports of goods exceed exports of goods	(i) 2. (ii) 1. (iii) 1.

Marking guide in brief

- Step marks: a correct method with a slip in arithmetic keeps most of the marks.
- Units, labels and a final statement are part of the answer.
- In long answers, marks go to the points made, not the length.
- Time check: about 1 minute per mark leaves time to revise.