

Directorate of Education

Govt. of NCT of Delhi

Additional Support Material on Value Based Questions for the Session 2012-2013

Subject: Economics

Class : XII

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Addl. DE (School/Exam)

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PART-I

MICRO ECONOMICS

Note:- Q1 to Q7 carry the weightage of 1 marks each and from Q8 to Q20 carry the weightage of 3/4 marks each

Ques1. In an underdeveloped economy why there is the need of efficient utilization of resources?

Ques 2. A farmer is getting more profit in producing opium than in production of wheat. In the situation of famine which crop should be produced?

Ques3. Why has the power crisis increased in India?

Ques 4. According to law of demand by increasing the price of a good its demand decreases but in the case of petrol, its demand is increasing with increase in price why? Explain.

Ques5. In spite of having monopoly, Why the Indian Railway has not increased the fare for many years?

Ques 6. The market price of sugar rises when its demand increases. How the supply of sugar can be changed so that price of sugar remain constant?

Ques7. Although there are few (more than one) firms in oligopoly. Even these firms can enjoy monopoly power. How?

Ques 8. How can the productivity of Human resources be increased?

Ques 9. What efforts should be made in an economy for the continuous use of exhaustible natural resources in production?

Ques 10. There are various sources of income a teacher has such as

1. He can earn Rs 40000 from teaching in school.
2. He can earn Rs 50000 by tuition/coaching
3. He earns Rs 60000 by writing help book guides.

What is the opportunity cost of teaching in school? Why should he choose teaching profession?

Ques 11- How is the law of diminishing marginal utility applied with regard to education/ knowledge?

Ques12- The demand of electricity is increasing but due to scarcity of resources its supply cannot be increased. Give any two measures how the demand of electricity can be decreased?

Ques13. Even the price of petrol is very high but still its demand is very high. How can the demand of petrol be decreased?

Ques 14. A manager of zoo wants to increase the revenue, which measure is more appropriate

i. Increase the entry fee

ii. Decrease the entry fee. Explain?

Ques15. Even the contribution of plastic industry in GDP is more then why it is not considered an Index of social welfare?

Ques16. Explain the effects on the market equilibrium by imposing ban on the sale of GUTKA in Delhi?

Ques17. How can the tax policy of Govt be effective in controlling the supply of LIQUOR like harmful product?

Ques 18. In a situation of fall in the sale of Ice-Cream, the Ice-Cream producer would like to reduce the production. What factors of production fixed or variable will be reduced by him? Explain with reasons.

Ques 19. Availability of agricultural land (fixed factor) is limited in the world, but demand of food grain is continuously increasing, is it possible to increase the supply of food grains by continuously increasing variable factors like seeds, fertilizers etc. explain?

Ques 20. The demand for cooking gas is not falling inspite of regular hike in the price of cooking gas. What will be the elasticity of demand for cooking gas. Explain giving suitable reasons in support of your answer.

PART-II

MACRO ECONOMICS

Note:- Q1 to Q6 carry the weightage of 1 marks each and from Q7 to Q25 carry the weightage of 3/4 marks each

Ques1. Why comparing the GDP of various nations might not tell you which nation is better off?

Ques 2. Compensation to flood victims is a good social security measure by the Govt. But why it is not included in the estimation of national income?

Ques3. GDP Calculation do not directly include the social costs of environmental damages for example global warming, acid rain. Do you think these costs should be included in GDP? Why or Why not?

Ques4. Why did India devalue its currency in 1991?

Ques5. Do you think that a rise in BPO services a good source of supply of foreign currency?

Ques6. Suppose the present foreign exchange rate is 1\$= Rs50 and if it falls to 1\$=Rs60 should central bank intervene in the foreign exchange rate?

Ques7. Why do non market economic activities like

1. Services of housewives
2. Voluntary services
3. Leisure time activities

help in the flow of goods and services of a country. But why these are not included in the estimation of national income?

Ques 8. GDP growth rate in India for the last few years is more than 6% but still more than 28% of population is lying below poverty line. Explain any two factors responsible for it.

Ques9. In the situation of inflation credit creation by commercial bank is beneficial for the bank but it explain its negative impact on economy?

Ques10. In Indian market, money supply is the reason of rising price level. Explain any one measure of central bank to control money supply?

Ques11. Why is the use of money more convenient for exchange than barter system. Explain?

Ques 12. Suppose all the customers of a commercial bank demand for their deposits at the same time then how does central bank help to commercial bank in this situation.

Ques 13. Why do all the compensation in form of money than toys more convenient to an employee working in toy manufacturing factory?

Ques14. Excess money supply is necessary for rapid economic development but it creates inflationary situation. Write any two fiscal measures to control inflationary situation.

Ques15. Saving provides economics security in future but why it is not good from the viewpoint of investment multiplier?

Ques 16. Why do the consumption expenditure of involuntary unemployed worker not zero, even at zero level of income?

Ques17. What impacts will be on economy when there is planned investment is less than planned saving? What steps should be taken by the govt to maintain equilibrium in the economy.

Ques 18. Increase in money supply is an effective measure to control economic depression but it creates the burden of borrowing on economy. Explain any two measures by which economic depression can be controlled even in the situation of increase in money supply.

Ques 19. In India unemployment is a major problem, if aggregate demand is equal to aggregate supply, can it be called a situation of equilibrium?

Ques20. In India a majority of population is lying below poverty line due to inequality of 'Income and Wealth' . How can budget be helpful in solving this problem?

Ques21. There has been consistent rise in prices of fruits and vegetables in Delhi for sometimes. Which measures of budget will you support to reduce the prices of these commodities?

Ques22. Budget deficit creates disequilibrium in every economy but in developing countries like India, why does Govt depend on it?

Ques23. Classify following items into Revenue Expenditure and capital expenditure. Give reason for your answer.

1. Free Supply of Stationary to the students by the Govt.
2. Economic assistance given according to Ladli Scheme.
3. Expenditure on the construction of computer lab in school.
4. Expenditure on Mid Day Meal given to students by the Govt.

Ques24. Should a current account deficit be a cause for alarm? Explain.

Ques25. What impact will fall on the expenditure of an American citizen who comes to India for Medical treatment if foreign rate is increased?

SUGGESTED ANSWERS
PART-I
MICRO ECONOMICS

Ans1- Developmental needs are more in under developed economy and these are fulfilled with our limited resources.

Value- Critical Thinking

Ans2- Production of Wheat because in the situation of famine, food grain like wheat is required more than opium

Value- Social Welfare

Ans3- Because its demand is greater than supply
Value- Awareness about efficient use of power

Ans4- Now a days petrol has become a necessary good and its supply is limited.
Value- - Critical Thinking

Ans5- Indian Railway is a major public sector undertaking and its main motive is social welfare not the profit.
Value- Social Welfare

Ans6- The price of sugar remains constant when demand and supply increase in the same proportion.
Value- problem Solving

Ans7- Firms in oligopoly form cartel and in this way these firm can control over prices.
Value- Critical Thinking

Ans8 – The Productivity of Human Resource can be increased with the help of human capital formation by providing training and skill to available labour force.
Value-creative Thinking

Ans9 – There are the various efforts-
1. To increase use of renewable resources
2. To explore the substitutes of resources
3. To reduce the wastage of resources.
4. To spread awareness about the effectively and optimum use of natural resources.
Value -Environmental Conservation

Ans-10 - Opportunity cost of teaching is writing books. He should choose teaching profession because it provides maximum social welfare
Value- Social Welfare

Ans11- In this case the law of diminishing marginal utility will not apply because every effort to get education/ knowledge increases the utility.
Value Analytic

Ans 12- 1. Use the energy/ electricity saving devices.
2. Use alternative sources of electricity such as solar energy, wind energy etc
Value -Environmental Conservation

Ans13 - 1. By car pooling
2. By using public transport system
3. By using alternative and renewable resources of petrol such as solar energy.
Value- Awareness for efficient use of resources

Ans 14- By reducing the entry fee the number of visitors will increase and total revenue will increase, but if the entry fee is increased then number of visitors will decrease and total revenue will fall.
Value- Problem solving

Ans 15- Because in the production of plastic product, a lot of harmful gases are released in the atmosphere.

Value-Environment Conservation

Ans 16- Due to the ban on the sale of GUTKA in Delhi, the supply of GUTKA will be reduced and the firms producing GUTKA will shift their factors of production in the production of other related goods. Consumer demand of GUTKA will reduce and hence in this way both the demand and supply of GUTKA will reduce

Value-Social Health Conciousness

Ans 17- The production of LIQUOR like harmful product will be less profitable to the producer due to increasing tax rate because the difference between the revenue and cost decreases and hence producer's profit will decrease and the supply of liquid will be decreased.

Value- Social Health Conciousness

Ans 18- when sale of ice-cream decreases then profit of producer will fall by which he will try to control his cost of production but in short run he cannot change the cost of fixed factors therefore he will reduce the cost of variable factors.

Value- Analytic

Ans 19 -Availability of agricultural land is limited in the world, production of food grains may be increased by continuous increase in variable factors only upto a optimum combination with fixed factor. After that law of negative returns is applied.

Value- Critical Thinking

Ans 20 - The elasticity of demand for cooking gas will be inelastic because there will be no change in demand for cooking gas inspite of rise in price of cooking gas.

Value- Critical Thinking

PART-II **MACRO ECONOMICS**

Ans 1- The well being of nation or standard of living of people is measured by per capita income (GDP/ Total Population) and distribution pattern of income not only by GDP

Value- Critical Thinking

Ans 2- Because this is a transfer payment

Value- Implement of Knowledge

Ans 3- Yes because people's well being is affected by these environmental damages.

No, it is very difficult to assess real damages in monetary terms.

Value- Awareness about social cost of GDP

Ans 4-India devalued its currency in 1991 to increase the flow of foreign exchange reserve.

Value- Analytic

Ans 5- Yes, because it is a export of services and good source of foreign currency.

Value- Critical Thinking

Ans 6- Yes, Central Bank should intervene in order to safeguard the interest of the importers.

Value- Creative Thinking

Ans 7- They are not included in national income, because of non-availability of data and problem in measuring the proper monetary values of these services.

Value- Implication of Knowledge

Ans 8- There are two factors

1. Unequal distribution of GDP
2. Rise in price level

Value- Social Awareness

Ans 9- Money creation by commercial bank in the condition of rising prices increases money supply it creates the situation of excess demand and consequently again increases the price level.

Ans 10- explain any one reason

1. Bank Rate
2. Cash Reserve Ratio (CRR)
3. Statutory Liquidity Ratio (SLR)

Value- Thinking

Ans 11- 1. Medium of Exchange

2. Store of Value
3. Standard of deferred payment

Value- Empathy

Ans 12- Explain the function of central bank as lender of the last resort.

Value- Analytic

Ans 13- There is lack of general acceptability in case of toys, while in the case of money there is general acceptability so he can purchase any goods and services with the help of money at any point of time and he does not face any problem of lack of double coincidence of wants.

Value- Empathy

Ans 14- Fiscal Measures

1. Increase in Tax rates
2. Reduce Public expenditure

Value- Critical Thinking

Ans 15- Money supply is reduced by increase in savings, which creates the situation of deficient demand in economy, consequently it reduces the functioning of investment multiplier.

Value- Analytic

Ans 16- A worker has to incur some expenditure to fulfill his basic needs even at zero level of income.
Value- Empathy

Ans 17- If there is planned investment is less than planned saving this will create the situation of deficient demand in the economy and it will result increase in the inventory stock of unsold goods. In this situation of Govt. should take fiscal & monetary measures to increase aggregate demand.
Value- Analytic

Ans 18-1 . Decrease in Bank Rate
2. Decrease in statutory Liquidity Ratio (SLR)
3. Purchasing of Govt. Securities by the central bank
Value- Critical Thinking

Ans 19- No, because it is the situation of under-employment equilibrium.
Value- Problem Solving

Ans 20- In Indian budget progressive tax system can be a good measure to remove the inequality of 'income and wealth' and govt should provide social facilities like education, health & food grain to the poor at subsidized rate.
Value- Problem Solving

Ans 21- Prices of fruits and vegetables can be reduced by providing subsidies to the producer of fruits & Vegetables and govt. should also provide fruits and vegetables at subsidised rates to the consumers through public distribution system.
Value- Problem Solving

Ans 22- Per capita income in developing countries like India is comparatively low so the tax receipts of the Govt are not sufficient, but on the other hand govt has to incur heavy public expenditure for the development of economy so Govt is compelled on budget deficit.
Value- Economic Awareness

Ans23 - 1,2 &4 are revenue expenditure because it neither create assets nor cause reduction in assets. 3 is capital expenditure because it increase assets of the Govt.
Value - Analytic

Ans 24- No, if deficit in current account is offset by the capital account otherwise such deficit has to be met by following which is a cause for alarm.
1. Depleting Foreign Exchange reserves
2. Taking foreign Loans.
Value- Analytic

Ans 25- Expenditure on treatment will reduce because by the increasing foreign exchange rate, his purchasing power will increase.
Value- Empathy