

**Modern School**  
**Important Questions**  
**Economics Class XII**

Q1. Explain the problem of how to produce.

Q2 Economic slowdown in some parts of the world has adversely affected demand for Indian exports. What will be its effect on PPC. Explain

Q3 How its equilibrium of the consumer affected when  $MU_m$  happens to rise and  $P_x$  is constant

Q4 A consumer wants to consume two goods. The price of goods are 4 and 5 and the income is 20. Write down the equation of budget line. When there is a shift in budget line?

Q5 How is the demand for a good affected by a rise in the price of other goods ? Explain.

Q6. Distinguish between fixed cost and variable cost with examples.

Q7 What is the behaviour of marginal revenue in a market in which a firm can sell any quantity of output it produces at a given price.

Q8 When will PP curve, straight line, convex and concave?

Q9. Marginal rate of substitution of X for Y is higher than the ratio of prices. Explain the reaction of the consumer in this situation.

Q10. Explain the implication of free entry & exit of the firms in perfect market.

Q11. State any four features of oligopoly.

Q12 Suppose demand curve & supply curve are given by the following equations :-

$$Q_d = 200 - P \quad Q_s = 50 + 2P$$

(i) Find out the equilibrium price & quantity.

(ii) Suppose the price of factor is changed resulting the new supply curve.

$$Q_s' = 80 + 2P$$

What will be the new equilibrium price.

Q13 Are the the following statements true or false ? give reasons.

- (i) Average variable cost can fall even when marginal cost is rising.
- (ii) As output increase the difference between ATC and AVC falls.
- (iii) When MC rises AC will also rise.
- (iv) AFC curve never touch the X axis.

Q14 To increase the production of a good only one input is increased, while other inputs are held constant. Explain its effect on total product with the help of schedule and diagram .

Q15 Explain the following :-

- (a) Why is an indifference curve convex to origin ?
- (b) Why does a higher indifference curve represent a higher level of satisfaction?

Q16 Explain the position of produces equilibrium when a producer (Firm)

- (a) Is able to produce more quantity at same price.
- (b) Is able to sell more quantity only by lowering the price.

Q17 Explain the main cause of Increase of demand curve.

Q18 Explain the effect of the following on the supply of a commodity :-

- (a) Fall in price of factor inputs.
- (b) Increase in excise duty.

Q19 How will change in price of coffee affect the equilibrium price of tea. Explain the effect on equilibrium quantity through a diagram

Q20. Explain the chain effects, if prevailing price is below the equilibrium price.

Q21. Explain the three causes of rightward shift in supply curve

Q22 Explain the central problem of 'how to produce 'with example.

Q23 What is an inferior good? How is the demand curve of an inferior good affected when income of the consumer increases?

Q24 State and explain law of demand with the help of demand schedule and curve.

Q25 Explain law of diminishing marginal utility.

- Q26. Using diagram, explain what happens to pp curve of Bihar if river kosi causes widespread floods.
- Q27 A consumer consumes only two goods. Explain equilibrium with the help of utility approach .
- Q28 Explain consumer's equilibrium with the help of indifference curve. State two condition of equilibrium.
- Q29 Explain factors which determine price elasticity of demand.
- Q30 State three causes of a leftward shift of demand curve of a commodity .
- Q31 Explain ' issue of currency' function of Central Bank
- Q32 Distinguish between revenue expenditure and capital expenditure.
- Q33 What are the objectives of a budget? Explain any one.
- Q34 Explain four sources of demand for foreign exchange.
- Q35 Explain four sources of supply of foreign exchange.
- Q36 Explain the component of current account of balance of payment.
- Q37 Define fiscal deficit, What are its implication.
- Q38. How is equilibrium rate of foreign exchange determined ?Use diagram.6
- Q39 Foreign exchange rate in india is on the rise recently. What will be its impact on exports and how?
- Q40. Government raises its expenditure on producing public goods, Which economic value does it reflect ? Explain.
- Q41. Explain the process of credit creations by commercial bank.
- Q42 Explain the effect of a fall in the price of inputs on supply curve of a firm
- Q43 Explain the meaning of Marginal opportunity cost (MOC) with help of a production possibility schedule.
- Q44 Explain the central problem of " How to produce"
- Q45 Maruti, Tata, Fiat and GM are only a few auto producers in the Indian market. Identify the form of market in which they sell their products and also state any three features of such a market

Q46. Explain the likely behavior of total product (TP) and Marginal product (MP) in case of increasing production, when only one input is increased while all other inputs are kept constant

Q47 Why is consumers in equilibrium only at the point of tangency of the budget line with an indifference curve ?

Q48 Define indifference curve . Explain any three properties of indifference curve

Q49 At a given price of a commodity , there is excess demand . Is this the equilibrium price ? if not , how will the equilibrium price be reached ?

Q50 Explain the role of “ Legal Reserve ratio” in controlling the credit creations.

Q-51 Categories the flowing government receipts into revenue and capital receipts. Give the reasons for your answer:

- (a) Receipt from sale of shares of public sector undertaking.
- (b) Borrowing from public
- (c) Profit of public sector undertaking
- (d) Income tax received by the government

Q-52 Explain the concept of appreciation and depreciation of domestic currency. Give examples

Q53 Differentiate between autonomous and accommodating items of balance of payment

Q54 Define money supply, State its components.

Q-55 What is Revenue deficit? Explain its implications.

Q56 Discuss briefly any four objectives of government budget.

Q57 What is meant by fiscal deficit ? What does it indicate ? How it can be reduced ?

Q58 Differentiate between current account and capital account of balance of payment account. Is import of machinery recorded in current account or capital account ? give reasons for your answer.