CBSE Class 12 Economics 2008 - Set 58/2

Question Paper

Conducted by the Central Board of Secondary Education (CBSE)

Time Allowed: 3 Hours **Maximum Marks: 100**

General Instructions

(i) This question paper contains 32 questions.

(ii) All questions in both sections are compulsory. Marks are indicated against each question.

(iii) Questions 1–5 and 17–21 carry 1 mark each. Answer in one sentence.

(iv) Questions 6–10 and 22–26 carry 3 marks each. Answer in 60 words.

(v) Questions 11–13 and 27–29 carry 4 marks each. Answer in 70 words.

(vi) Questions 14–16 and 30–32 carry 6 marks each. Answer in 100 words.

(vii) Keep answers brief and to the point, and follow the word limits and internal choices printed with the questions.

Section A

1. What is a demand schedule ?

2. Define 'production function'.

3. What is 'market supply' ?

4. Define 'equilibrium price'.

5. Define 'Marginal Rate of Transformation'.

6. Price elasticity of demand for a good is (–)2. The consumer buys a certain quantity of this good at a price of Rs. 8 per unit. When the price falls he buys 50 percent more quantity. What is the new price ?

7. Given the market price of a good, how does a consumer decide as to how many units of that good to buy ? Explain.

8. What is the likely effect on the supply of a good if a unit tax is imposed on that good ? Explain.

9(a). Explain what happens to the profits in the long run if the firms are free to enter the industry.

OR

9(b). Explain what happens to losses in the long run if the firms are free to leave the industry.

10. Explain the central problem of the choice of products to be produced.

11. Complete the following table :

Price (Rs.)	Output (Units)	Total Revenue (Rs.)	Marginal Revenue (Rs.)
10	1	–	–
–	2	14	–
–	3	–	1
–	4	12	–

12(a). Explain producer's equilibrium using a schedule. Use total cost and total revenue approach.

OR

12(b). Distinguish between (i) fixed cost and variable cost giving examples and (ii) average cost and marginal cost giving an example.

13. Draw supply curves with price elasticity of supply throughout equal to (i) zero, (ii) one, (iii) infinity and (iv) less than one.

13-VI. The following question is for the Blind Candidates only in lieu of Q. No. 13.

Distinguish between (i) elastic and inelastic supply and (ii) perfectly elastic and perfectly inelastic supply.

14. Explain, with the help of numerical examples, the effect on total output of a good when all the inputs used in production of that good are increased simultaneously and in the same proportion.

15(a). Given market equilibrium of a good, what are the effects of simultaneous increase in both demand and supply of that good on its equilibrium price and quantity ?

OR

15(b). Explain the implications of the following :

(i) The feature 'differentiated products' under monopolistic competition.

(ii) The feature 'large number of sellers' under perfect competition.

16. Explain the effect of the following on demand for a good :

(i) Rise in income

(ii) Rise in prices of related goods

Section B

17. Give meaning of deficient demand.

18. What is a commercial bank ?

19. Define government budget.

20. What is fixed exchange rate system ?

21. Define 'aggregate supply'.

22. When exchange rate of foreign currency falls, its demand rises. Explain, how.

23. Distinguish between balance of trade and balance on current account.

24(a). Explain the 'medium of exchange' function of money.

OR

24(b). Explain the evolution of money.

25. Give meaning of capital expenditure and revenue expenditure in a government budget and an example of each.

26. Calculate Gross Value Added at Market Price from the following data :

	(Rs. lakhs)
(i) Depreciation	15
(ii) Sales in the domestic market	250
(iii) Exports	50
(iv) Opening stock	20
(v) Purchase of raw material	150
(vi) Closing stock	30
(vii) Import of raw material	25

27. What is fiscal deficit ? What are its implications ?

28. If marginal propensity to save is 0·2, how much new investment is required to make the national income rise by Rs. 600 crores ? Calculate.

29(a). Explain the lending function of commercial banks.

OR

29(b). Explain 'banker to the government' function of central bank.

30(i). Giving reasons, explain how the following are treated in estimating national income :

(i) Wheat grown by a farmer but used entirely for family's consumption.

30(ii). Giving reasons, explain how the following are treated in estimating national income :

(ii) Earnings of the shareholders from the sale of shares.

30(iii). Giving reasons, explain how the following are treated in estimating national income :

(iii) Expenditure by government on providing free education.

31(a). Calculate 'Gross National Product at Market Price' and 'Personal Income' from the following data :

	(Rs. crores)
(i) Corporation tax	35
(ii) Wages and salaries	200
(iii) National debt interest	25
(iv) Operating surplus	400
(v) Net current transfers from abroad	15
(vi) Net factor income from abroad	(–) 10
(vii) Consumption of fixed capital	20
(viii) Social security contributions by employers	30
(ix) Net indirect tax	40
(x) Net domestic product at factor cost accruing to the private sector	500
(xi) Current transfers from government	5

31(b). Calculate 'Gross National Product at Market Price' and 'Personal Income' from the following data :

	(Rs. crores)
(i) Corporation tax	35
(ii) Wages and salaries	200
(iii) National debt interest	25
(iv) Operating surplus	400
(v) Net current transfers from abroad	15
(vi) Net factor income from abroad	(–) 10
(vii) Consumption of fixed capital	20
(viii) Social security contributions by employers	30
(ix) Net indirect tax	40
(x) Net domestic product at factor cost accruing to the private sector	500
(xi) Current transfers from government	5

32(a). Explain 'consumption function' with the help of a schedule and diagram.

OR

32(b). Explain 'saving function' with the help of a schedule and diagram.

32-VI1. The following question is for the Blind Candidates only in lieu of Q. No. 32.

Explain 'consumption function' with the help of a schedule. Also record marginal propensity to consume in the schedule.

32-VI2. The following question is for the Blind Candidates only in lieu of Q. No. 32.

Explain 'saving function' with the help of a schedule. Also record marginal propensity to save in the schedule.

- End of Question Paper -