CBSE Class 12 Economics 2010 - Set 58/1

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. Define a budget line.

2. What is meant by inferior good in economics ?

3. In which market form can a firm not influence the price of the product ?

4. Define monopoly.

5. What can you say about the number of buyers and sellers under monopolistic competition ?

6. Explain the effect of the following on the price elasticity of demand of a commodity :

(i) Number of substitutes

(ii) Nature of the commodity

7(a). Explain any two causes of 'increase' in demand of a commodity.

OR

7(b). Explain the inverse relationship between price and quantity demanded of a commodity.

8. A firm's average fixed cost, when it produces 2 units, is Rs. 30. Its average total cost schedule is given below. Calculate its marginal cost and average variable cost at each level of output.

Output (units)	1	2	3
Average total cost (Rs.)	80	48	40

9. Total revenue is Rs. 400 when the price of the commodity is Rs. 2 per unit. When price rises to Rs. 3 per unit, the quantity supplied is 300 units. Calculate the price elasticity of supply.

10. Why is the number of firms small in an oligopoly market ? Explain.

11(a). Explain the problem of 'how to produce'.

OR

11(b). Distinguish between microeconomics and macroeconomics. Give examples.

12. When price of a commodity falls by Re. 1 per unit, its quantity demanded rises by 3 units. Its price elasticity of demand is (–)2. Calculate its quantity demanded if the price before the change was Rs. 10 per unit.

13. How does the equilibrium price of a 'normal' commodity change when income of its buyers falls ? Explain the chain of effects.

14. State whether the following statements are true or false. Give reasons for your answer :

(i) When marginal revenue is constant and not equal to zero, then total revenue will also be constant.

(ii) As soon as marginal cost starts rising, average variable cost also starts rising.

(iii) Total product always increases whether there is increasing returns or diminishing returns to a factor.

15. What are the conditions of consumer's equilibrium under the indifference curve approach ? What changes will take place if the conditions are not fulfilled to reach equilibrium ?

16(a). From the following schedule find out the level of output at which the producer is in equilibrium, using marginal cost and marginal revenue approach. Give reasons for your answer.

Price per unit (Rs.)	Output (units)	Total cost (Rs.)
8	1	6
7	2	11
6	3	15
5	4	18
4	5	23

OR

16(b). Explain the law of returns to a factor with the help of total product and marginal product schedule.

Section B

17. Give the meaning of money.

18. What is meant by revenue deficit ?

19. What is ex-ante aggregate demand ?

20. Give the meaning of inflationary gap.

21. State two sources of demand for foreign exchange.

22(a). Distinguish between real and nominal gross domestic product.

OR

22(b). Giving reasons, classify the following into intermediate and final goods :

(i) Machines purchased by a dealer of machines.

(ii) A car purchased by a household.

23. Explain the 'banker to the government' function of the central bank.

24. Explain the allocation function of a government budget.

25. Distinguish between autonomous and accommodating transactions of balance of payments account.

26. Giving two examples, explain why there is a rise in demand for a foreign currency when its price falls.

27(a). How does a commercial bank create money ?

OR

27(b). Explain how do 'open market operations' by the central bank affect money creation by commercial banks.

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

(i) When marginal propensity to consume is zero, the value of investment multiplier will also be zero.

(ii) Value of average propensity to save can never be less than zero.

29. Distinguish between :

(i) Capital expenditure and Revenue expenditure

(ii) Fiscal deficit and Primary deficit

30(a). How will you treat the following while estimating national income of India ? Give reasons for your answer.

(i) Dividend received by a foreigner from investment in shares of an Indian company.

(ii) Profits earned by a branch of an Indian bank in Canada.

(iii) Scholarship given to Indian students studying in India by a foreign company.

OR

30(b). Explain the problem of double counting in estimating national income, with the help of an example. Also explain two alternative ways of avoiding the problem.

31. In an economy the equilibrium level of income is Rs. 12,000 crore. The ratio of marginal propensity to consume and marginal propensity to save is 3 : 1. Calculate the additional investment needed to reach a new equilibrium level of income of Rs. 20,000 crore.

32. Calculate (a) Gross domestic product at market price, and (b) Factor income from abroad from the following data :

(Rs. in crores)

(i)	Profits	500
(ii)	Exports	40
(iii)	Compensation of employees	1,500
(iv)	Gross national product at factor cost	2,800
(v)	Net current transfers from rest of the world	90
(vi)	Rent	300
(vii)	Interest	400
(viii)	Factor income to abroad	120
(ix)	Net indirect taxes	250
(x)	Net domestic capital formation	650
(xi)	Gross fixed capital formation	700
(xii)	Change in stock	50

- End of Question Paper -