CBSE Class 12 Economics 2014 - 58/1 - Annual

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. The government has started promoting foreign capital. What is its economic value in the context of Production Possibilities Frontier ?

2. Define indifference curve.

3. Define marginal product.

4. What is market supply of a product ?

5. What is imperfect oligopoly ?

6. Why is Production Possibilities Curve concave ? Explain.

7. When the price of a good falls from ₹ 10 to ₹ 8 per unit, its demand rises from 20 units to 24 units. What can you say about price elasticity of demand of the good through the 'expenditure approach' ?

8(a). Explain how technological progress is a determinant of supply of a good by a firm.

OR

8(b). Explain how input prices are a determinant of supply of a good by a firm.

9. Why is Average Revenue always equal to price ?

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

11(a). A consumer consumes only two goods X and Y and is in equilibrium. Show that when the price of good X rises, the consumer buys less of good X. Use utility analysis.

OR

11(b). Given the price of a good, how will a consumer decide as to how much quantity of that good to buy ? Use utility analysis.

12. Give the meaning of "inferior" good and explain the same with the help of an example.

13. Giving reasons, explain the 'Law of Variable Proportions'.

14(a). Explain why is an indifference curve (a) downward sloping and (b) convex.

OR

14(b). Explain the concept of 'Marginal Rate of Substitution' with the help of a numerical example. Also explain its behaviour along an indifference curve.

15. From the following information about a firm, find the firm's equilibrium output in terms of marginal cost and marginal revenue. Give reasons. Also find profit at this output.

Output (units)	Total Revenue (₹)	Total Cost (₹)
1	6	7
2	12	13
3	18	17
4	24	23
5	30	31

16. Market of a commodity is in equilibrium. Demand for the commodity 'decreases'. Explain the chain of effects of this change till the market again reaches equilibrium. Use diagram.

16-VI. The following question is for the Blind Candidates only in lieu of Q. No. 16.

Market for a commodity is in equilibrium. Demand for the commodity 'decreases'. Explain the chain of effects of this change till the market again reaches equilibrium. Also compare prices at old and new equilibriums.

Section B

17. What are time deposits ?

18. Define inflationary gap.

19. What is full employment ?

20. Define fiscal deficit.

21. Define foreign exchange rate.

22. What are externalities ? Give an example of a positive externality and its impact on welfare of the people.

23(a). Explain the significance of the 'Unit of Account' function of money.

OR

23(b). Explain the significance of the 'Standard of Deferred Payment' function of money.

24. Is the following a revenue receipt or a capital receipt in the context of government budget and why ?

(i) Tax receipts

(ii) Disinvestment

25. Distinguish between 'autonomous' and 'accommodating' Balance of Payments transactions.

26. Foreign exchange rate in India is on the rise recently. What impact is it likely to have on exports and how ?

27(a). Explain 'Banker to the Government' function of the central bank.

OR

27(b). Explain 'Bankers' Bank' function of the central bank.

28. Calculate Marginal Propensity to Consume from the following data about an economy which is in equilibrium :

National income = 2000

Autonomous consumption expenditure = 200

Investment expenditure = 100

29. Tax rates on higher income group have been increased. Which economic value does it reflect ? Explain.

30(a). Calculate 'Net National Product at Factor Cost' from the following :

(₹ in Arab)

(i) Social security contributions by employees 90

(ii) Wages and salaries 800

(iii) Net current transfers to abroad (–) 30

(iv) Rent and royalty 300

(v) Net factor income to abroad 50

(vi) Social security contributions by employers 100

(vii) Profit 500

(viii) Interest 400

(ix) Consumption of fixed capital 200

(x) Net indirect tax 250

30(b). Calculate 'Gross National Disposable Income' from the following :

(₹ in Arab)

(i) Social security contributions by employees 90

(ii) Wages and salaries 800

(iii) Net current transfers to abroad (–) 30

(iv) Rent and royalty 300

(v) Net factor income to abroad 50

(vi) Social security contributions by employers 100

(vii) Profit 500

(viii) Interest 400

(ix) Consumption of fixed capital 200

(x) Net indirect tax 250

31. How should the following be treated in estimating national income of a country ? You must give reason for your answer.

(i) Taking care of aged parents

(ii) Payment of corporate tax

(iii) Expenditure on providing police services by the government

32(a). When is an economy in equilibrium ? Explain with the help of Saving and Investment functions. Also explain the changes that take place in an economy when the economy is not in equilibrium. Use diagram.

OR

32(b). Outline the steps required to be taken in deriving the Consumption Curve from the given Saving Curve. Use diagram.

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

Define Investment. Explain national income equilibrium through Saving and Investment function. Also explain the changes that take place in an economy when the economy is not in equilibrium.

32-VI2. What is Consumption Function ? How can it be derived from the Saving Function ? Explain.

- End of Question Paper -