

# CBSE Class 12 Economics 2015 - Set 58/2/1



## 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 29 questions.
- (ii) All questions in both sections are compulsory. Marks are indicated against each question.
- (iii) Questions 1–3 and 15–19 carry 1 mark each; answer in one sentence.
- (iv) Questions 4–8 and 20–22 carry 3 marks each; answer in 60 words.
- (v) Questions 9–10 and 23–25 carry 4 marks each; answer in 70 words.
- (vi) Questions 11–14 and 26–29 carry 6 marks each; answer in 100 words.
- (vii) Keep answers brief and to the point, and follow the stated word limits and any instructions printed with individual questions.

## Section A

1. Define utility.

2. If with the rise in price of good Y, demand for good X rises, the two goods are : (Choose the correct alternative)

- (A) Substitutes (B) Complements  
(C) Not related (D) Jointly demanded

3. A consumer consumes only two goods. If price of one of the goods falls, the indifference curve : (Choose the correct alternative)

- (A) Shifts upwards (B) Shifts downwards  
(C) Can shift both upwards or downwards (D) Does not shift

4. Giving reason, comment on the shape of Production Possibilities Curve based on the following table :

| Good X (units) | Good Y (units) |
|----------------|----------------|
| 0              | 4              |
| 1              | 3              |
| 2              | 2              |
| 3              | 1              |
| 4              | 0              |

5(a). What will be the impact of “Education for All campaign” (Sarv Shiksha Abhiyan) on the Production Possibilities Curve of the Indian economy and why ?

OR

5(b). What will likely be the impact of large scale inflow of foreign capital in India on Production Possibilities Curve and why ?

6. Why is minus sign attached to the measure of price elasticity of demand of a normal good in comparison to the plus sign attached to the measure of price elasticity of supply ? Explain.

7. There are no barriers in the way of firms leaving or joining industry in a perfectly competitive market. Explain the significance of this feature.

8. What is maximum price ceiling ? On what type of goods is it normally imposed ? Use diagram.

**8-VI.** Note : The following question is for the Blind Candidates only in lieu of Q. No. 8.

Explain the difference between maximum price ceiling and minimum price ceiling.

**9.** A consumer spends ₹ 400 on a good priced at ₹ 4 per unit. When the price rises by 25 percent, the consumer continues to spend ₹ 400. Calculate the price elasticity of demand by percentage method.

**10(a).** What is supply ? Explain the effect of technological progress on supply of a good.

OR

**10(b).** What is 'change in supply' ? Explain the effect of tax imposed on a good on the supply of the good.

**11(a).** A consumer consumes only two goods, each priced at Rupee one per unit. If the consumer chooses a combination of the two goods with Marginal Rate of Substitution equal to 2, is the consumer in equilibrium ? Give reasons. Explain what will a rational consumer do in this situation.

OR

**11(b).** A consumer consumes only two goods X and Y whose prices are ₹ 2 and ₹ 1 per unit respectively. If the consumer chooses a combination of the two goods with marginal utility of X being 4 and that of Y also being 4, is the consumer in equilibrium ? Give reasons. Explain what will a rational consumer do in this situation. Use Marginal Utility Analysis.

**12.** What are the different phases in the Law of Variable Proportions in terms of Total Product ? Give reasons behind each phase. Use diagram.

**12-VI.** Note : The following question is for the Blind Candidates only in lieu of Q. No. 12.

State, on the basis of numerical example, the different phases in the Law of Variable Proportions in terms of Total Product. Give reasons behind each phase.

**13.** Explain the rationale behind the conditions of equilibrium of a producer.

**14.** Market for a good is in equilibrium. Demand for the good "decreases". Explain the chain of effects of this change.

## Section B

15. Name any two components of 'aggregate demand'.

16. If  $MPC = 0$ , the value of multiplier is :  
(Choose the correct alternative)

- (A) 0 (B) 1  
(C) Between 0 and 1 (D) Infinity

17. Primary deficit in a government budget equals : (Choose the correct alternative)

- (A) Interest payments (B) Interest payments less borrowings  
(C) Borrowings less interest payments (D) None of the above

18. Which one of these is a revenue expenditure ?

- (A) Purchase of shares (B) Loans advanced  
(C) Subsidies (D) Expenditure on acquisition of land

19. Other things remaining the same, when foreign currency becomes cheaper, the effect on national income is likely to be : (Choose the correct alternative)

- (A) Positive (B) Negative  
(C) Positive and negative both (D) No effect

20. If the Nominal Gross Domestic Product = ₹ 4,400 and the Price Index (base = 100) = 110, calculate the Real Gross Domestic Product.

21(a). Give the meanings of 'autonomous' transactions and 'accommodating' transactions in the Balance of Payments Accounts.

OR

21(b). Give the meanings of Balance of Trade and Balance on Current Account of Balance of Payments Accounts.

22. Giving reasons explain where charity to foreign countries is recorded in the Balance of Payments Accounts.

23(a). Explain 'Government's Bank' function of the central bank.

OR

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

**24.** Why do we say that commercial banks create money while we also say that the central bank has the sole right to issue currency ? Explain. What is the likely impact of money creation by the commercial banks on national income ?

**25.** An economy is in equilibrium. Calculate Marginal Propensity to Save from the following :

National Income = 1,000

Autonomous Consumption = 100

Investment Expenditure = 200

**26.** Giving reasons explain how should the following be treated in estimation of national income :

(i) Payment of corporate tax by a firm

(ii) Purchase of machinery by a factory for own use

(iii) Purchase of uniforms for nurses by a hospital

**27(a).** What is 'inflationary gap' ? Explain the role of Cash Reserve Ratio in removing this gap.

OR

**27(b).** What is 'deficient demand' ? Explain the role of 'Margin Requirements' in removing this gap.

**28.** Explain the role of government budget in fighting inflationary and deflationary tendencies.

**29.** Calculate the Gross National Product at Market Price and Personal Income :

|        |                                            | (₹<br>crores) |
|--------|--------------------------------------------|---------------|
| (i)    | Wages and salaries                         | 800           |
| (ii)   | Personal tax                               | 150           |
| (iii)  | Operating surplus                          | 200           |
| (iv)   | Undistributed profits                      | 10            |
| (v)    | Social security contributions by employers | 100           |
| (vi)   | Corporate tax                              | 50            |
| (vii)  | Net factor income to abroad                | (-) 20        |
| (viii) | Personal disposable income                 | 1,200         |
| (ix)   | Net indirect tax                           | 70            |
| (x)    | Consumption of fixed capital               | 30            |
| (xi)   | Mixed income of self-employed              | 500           |
| (xii)  | Royalty                                    | 9             |

- End of Question Paper -