

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

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 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. 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

2. What are monotonic preferences ?

3. 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

4. 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.

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

Good X (units)	Good Y (units)
0	20
1	18
2	14
3	8
4	0

6(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

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

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

7-VI. Note : The following question is for the Blind Candidates only in lieu of Q. No. 7.

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

8. Explain the significance of the feature ‘product differentiation’ in monopolistic competition.

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

OR

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

10. A consumer spends ₹ 200 on a good priced at ₹ 5 per unit. When the price falls by 20 percent, he continues to spend ₹ 200. Find the price elasticity of demand by percentage method.

11. Market for a good is in equilibrium. Supply of the good 'decreases'. Explain the chain of effects of this change.

12. Explain the rationale behind the conditions of equilibrium of a producer.

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

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

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.

14(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

14(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.

Section B

15. 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

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

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

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

18. 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

19. Which one of these is a revenue expenditure ?

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

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

21. If the Real Gross Domestic Product is ₹ 200 and the Nominal Gross Domestic Product is ₹ 210, calculate the Price Index (base = 100).

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

OR

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

23. An economy is in equilibrium. Find the Investment Expenditure from the following :

National Income = 750

Autonomous Consumption = 200

Marginal Propensity to Save = 0.4

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

OR

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

25. 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 ?

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

27. 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

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

OR

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

29. Calculate National Income and Private Income :

		(₹ crores)
(i)	Net imports	5
(ii)	Net domestic capital formation	15
(iii)	Personal income	90
(iv)	National debt interest	10
(v)	Corporate tax	25
(vi)	Government final consumption expenditure	20
(vii)	Net factor income to abroad	(-) 5
(viii)	Net indirect tax	10
(ix)	Undistributed profits	0
(x)	Private final consumption expenditure	100

- End of Question Paper -