

CBSE Class 12 Economics 2015 - Set 58/2/3

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. 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

2. 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

3. What is 'ordinal' utility ?

4(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

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

5. Explain the cause of limited number of firms in an oligopoly market.

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

6-VI. Note : The following question is for the Blind Candidates only in lieu of Q. No. 6.

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

7. 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.

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

Good X (units)	Good Y (units)
0	10
1	9
2	7
3	4
4	0

9. A consumer spends ₹ 60 on a good priced at ₹ 1 per unit. When the price rises by 100 percent, he continues to spend ₹ 60 on the good. 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. What are the different phases in the Law of Variable Proportions in terms of Total Product ? Give reasons behind each phase. Use diagram.

11-VI. Note : The following question is for the Blind Candidates only in lieu of Q. No. 11.

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.

12. Market for a good is in equilibrium. There is 'increase' in demand for the good. Explain the chain of effects of this change.

13(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

13(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.

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

Section B

15. 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 |

16. 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 |

17. Which one of these is a revenue expenditure ?

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

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

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

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

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

OR

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

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

22. If the Real Gross Domestic Product is ₹ 250 and the Price Index (base = 100) is 120, calculate the Nominal Gross Domestic Product.

23. 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 ?

24. An economy is in equilibrium. Calculate Autonomous Consumption from the following :

National Income = 1,250

Marginal Propensity to Save = 0.2

Investment Expenditure = 150

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

OR

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

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

OR

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

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

28. 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

29. Calculate Net National Product at Market Price and Gross National Disposable Income :

		(₹ crores)
(i)	Net factor income to abroad	(-) 10
(ii)	Net current transfers to abroad	5
(iii)	Consumption of fixed capital	40
(iv)	Compensation of employees	700
(v)	Corporate tax	30
(vi)	Undistributed profits	10
(vii)	Interest	90
(viii)	Rent	100
(ix)	Dividends	20
(x)	Net indirect tax	110
(xi)	Social security contributions by employees	11

- End of Question Paper -