

CBSE Class 12 Economics 2015 - 58/2 - 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 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 Marginal Rate of Substitution is increasing throughout, the Indifference Curve will be : (Choose the correct alternative)

- (A) Downward sloping convex (B) Downward sloping concave
(C) Downward sloping straight line (D) Upward sloping convex

2. Define budget line.

3. If due to fall in the price of good X, demand for good Y rises, the two goods are : (Choose the correct alternative)

- (A) Substitutes (B) Complements
(C) Not related (D) Competitive

4. Explain the significance of 'minus sign' attached to the measure of price elasticity of demand in case of a normal good, as compared to the 'plus sign' attached to the measure of price elasticity of supply.

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

Good X (units)	Good Y (units)
0	16
1	12
2	8
3	4
4	0

6(a). What is likely to be the impact of "Make in India" appeal to the foreign investors by the Prime Minister of India, on the production possibilities frontier of India ? Explain.

OR

6(b). What is likely to be the impact of efforts towards reducing unemployment on the production potential of the economy ? Explain.

7. What are the effects of 'price-floor' (minimum price ceiling) on the market of a good ? Use diagram.

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

Explain the effects of 'price-floor' (minimum price ceiling) on the market of a good.

8. Explain the implication of non-price competition in an oligopoly market.

9(a). What is the behaviour of (a) Average Fixed Cost and (b) Average Variable Cost as more and more units of a good are produced ?

OR

9(b). Define Average Revenue. Show that Average Revenue and Price are same.

10. A consumer spends ₹ 100 on a good priced at ₹ 4 per unit. When its price falls by 25 percent, the consumer spends ₹ 75 on the good. Calculate the price elasticity of demand by the Percentage method.

11. Market for a good is in equilibrium. The supply of the good "increases". Explain the chain of effects of this change.

12. Explain why will a producer not be in equilibrium if the conditions of equilibrium are not met.

13. What are the different phases in the Law of Variable Proportions in terms of marginal product ? Give reason behind each phase. Use diagram.

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

Explain with the help of a numerical example different phases in the Law of Variable Proportions.

14(a). A consumer consumes only two goods X and Y, both priced at ₹ 2 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 ? Why or why not ? What will a rational consumer do in this situation ? Explain.

OR

14(b). A consumer consumes only two goods X and Y whose prices are ₹ 5 and ₹ 4 respectively. If the consumer chooses a combination of the two goods with marginal utility of X equal to 4 and that of Y equal to 5, is the consumer in equilibrium ? Why or why not ? What will a rational consumer do in this situation ? Use utility analysis.

Section B

15. Primary deficit in a government budget is :
(Choose the correct alternative)

- | | |
|--|--|
| (A) Revenue expenditure – Revenue receipts | (B) Total expenditure – Total receipts |
| (C) Revenue deficit – Interest payments | (D) Fiscal deficit – Interest payments |

16. What is 'aggregate demand' in macroeconomics ?

17. If $MPC = 1$, 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 in a country the market price of foreign currency falls, national income is likely : (Choose the correct alternative)

- | | |
|------------------------|--------------------------|
| (A) to rise | (B) to fall |
| (C) to rise or to fall | (D) to remain unaffected |

19. Direct tax is called direct because it is collected directly from : (Choose the correct alternative)

- | | |
|-------------------------------------|-------------------------------|
| (A) The producers on goods produced | (B) The sellers on goods sold |
| (C) The buyers of goods | (D) The income earners |

20. Where is 'borrowings from abroad' recorded in the Balance of Payments Accounts ? Give reasons.

21. If the Real GDP is ₹ 500 and Price Index (base = 100) is 125, calculate the Nominal GDP.

22(a). What are fixed and flexible exchange rates ?

OR

22(b). Explain the meaning of Managed Floating Exchange Rate.

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

National Income = 1000

Autonomous Consumption = 100

Investment = 120

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

OR

24(b). Explain the "Bank of Issue function" of the central bank.

25. Currency is issued by the central bank, yet we say that commercial banks create money. Explain. How is this money creation by commercial banks likely to affect the national income ? Explain.

26. Explain how the government can use the budgetary policy in reducing inequalities in incomes.

27. Giving reason explain how the following should be treated in estimation of national income :

- (i) Payment of interest by a firm to a bank
- (ii) Payment of interest by a bank to an individual
- (iii) Payment of interest by an individual to a bank

28(a). What is 'deficient demand' ? Explain the role of 'Bank Rate' in removing it.

OR

28(b). What is 'excess demand' ? Explain the role of 'Reverse Repo Rate' in removing it.

29. Calculate 'Net National Product at Market Price' and 'Personal Income' :

		(₹ crores)
(i)	Transfer payments by government	7
(ii)	Government final consumption expenditure	50
(iii)	Net imports	(-) 10
(iv)	Net domestic fixed capital formation	60
(v)	Private final consumption expenditure	300
(vi)	Private income	280
(vii)	Net factor income to abroad	(-) 5
(viii)	Closing stock	8
(ix)	Opening stock	8
(x)	Depreciation	12
(xi)	Corporate tax	60
(xii)	Retained earnings of corporations	20

- End of Question Paper -