

CBSE Class 12 Economics 2015 - 58/1/2 - 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 word limits and internal choices printed with the questions.

Section A

1. If Marginal Rate of Substitution is constant throughout, the Indifference curve will be : (choose the correct alternative)

- (A) Parallel to the x-axis. (B) Downward sloping concave.
(C) Downward sloping convex. (D) Downward sloping straight line.

2. Give equation of Budget Set.

3. When income of the consumer falls the impact on price-demand curve of an inferior good is : (choose the correct alternative)

- (A) Shifts to the right. (B) Shifts to the left.
(C) There is upward movement along the curve. (D) There is downward movement along the curve.

4. The measure of price elasticity of demand of a normal good carries minus sign while price elasticity of supply carries plus sign. Explain why?

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

Good X (units)	Good Y (units)
0	8
1	6
2	4
3	2
4	0

6(a). What will be the impact of recently launched 'Clean India Mission' (Swachh Bharat Mission) on the Production Possibilities curve of the economy and why?

OR

6(b). What will likely be the impact of large scale outflow of foreign capital on Production Possibilities curve of the economy and why?

7. Explain the effects of 'maximum price ceiling' on the market of a good. Use diagram.

7-VI. For the blind candidates only in lieu of Q. No. 7.

What is price ceiling? Explain the effects of maximum price ceiling.

8. There are large number of sellers in a perfectly competitive market. Explain the significance of this feature.

9(a). Define cost. State the relation between marginal cost and average variable cost.

OR

9(b). Define revenue. State the relation between marginal revenue and average revenue.

10. A consumer spends Rs. 60 on a good priced at Rs. 5 per unit. When price falls by 20 per cent, the consumer continues to spend Rs. 60 on the good. Calculate price elasticity of demand by percentage method.

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

12. Why is the equality between marginal cost and marginal revenue necessary for a firm to be in equilibrium? Is it sufficient to ensure equilibrium? Explain.

13. State the different phases of changes in Total Product and Marginal Product in the Law of Variable Proportions. Also show the same in a single diagram.

13-VI. For the blind candidates in lieu of Q. No. 13 only.

State, on the basis of a numerical example, different phases of changes in Total Product and Marginal Product in the Law of Variable Proportions.

14(a). A consumer consumes only two goods X and Y both priced at Rs. 3 per unit. If the consumer choose a combination of these two goods with Marginal Rate of Substitution equal to 3, is the consumer in equilibrium? Give reasons. 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 Rs. 4 and Rs. 5 per unit respectively. If the consumer chooses a combination of the two goods with marginal utility of X equal to 5 and that of Y equal to 4, is the consumer in equilibrium? Give reasons. What will a rational consumer do in this situation? Use utility analysis.

Section B

15. Borrowing in government budget is : (choose the correct alternative)

- (A) Revenue deficit (B) Fiscal deficit
(C) Primary deficit (D) Deficit in taxes

16. What is 'aggregate supply' in macroeconomics?

17. The value of multiplier is : (choose the correct alternative)

- (A) $1/MPC$ (B) $1/MPS$
(C) $1/(1 - MPS)$ (D) $1/(MPC - 1)$

18. Other things remaining unchanged, when in a country the price of foreign currency rises, national income is : (choose the correct alternative)

- (A) Likely to rise (B) Likely to fall
(C) Likely to rise and fall both (D) Not affected

19. The non-tax revenue in the following is : (choose the correct alternative)

- (A) Export duty (B) Import duty
(C) Dividends (D) Excise

20. Where will sale of machinery to abroad be recorded in the Balance of Payments Accounts? Give reasons.

21. If the Nominal GDP is Rs. 1200 and Price Index (with base = 100) is 120, calculate Real GDP.

22(a). Name the broad categories of transactions recorded in the 'capital account' of the Balance of Payments Accounts.

OR

22(b). Name the broad categories of transactions recorded in the 'current account' of the Balance of Payments Accounts.

23. An economy is in equilibrium. Find 'autonomous consumption' from the following :

National income	= 1000
Marginal propensity to consume	= 0.8
Investment expenditure	= 100

24(a). Explain the 'bank of issue' function of the central bank.

OR

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

25. Government of India has recently launched 'Jan-Dhan Yojna' aimed at every household in the country to have at least one bank account. Explain how deposits made under the plan are going to affect national income of the country.

26. Explain the role the government can play through the budget in influencing allocation of resources.

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

- (i) Expenditure by a firm on payment of fees to a chartered accountant
- (ii) Payment of corporate tax by a firm
- (iii) Purchase of refrigerator by a firm for own use

28(a). Explain the concept of Inflationary Gap. Explain the role of Repo Rate in reducing this gap.

OR

28(b). Explain the concept of Deflationary Gap and the role of 'Open Market Operations' in reducing this gap.

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

		(Rs. crores)
(i)	Rent	100
(ii)	Net current transfers to rest of the world	30
(iii)	Social security contributions by employers	47
(iv)	Mixed income	600
(v)	Gross domestic capital formation	140
(vi)	Royalty	20
(vii)	Interest	110
(viii)	Compensation of employees	500
(ix)	Net domestic capital formation	120
(x)	Net factor income from abroad	(-) 10
(xi)	Net indirect tax	150
(xii)	Profit	200

- End of Question Paper -