

CBSE Class 12 Economics 2016 - Set 58/1/1



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 30 questions.
- (ii) All questions in both sections are compulsory. Marks are indicated against each question.
- (iii) Questions 1–5 and 16–20 carry 1 mark each; answer in one sentence.
- (iv) Questions 6–8 and 21–23 carry 3 marks each; answer in 60 words.
- (v) Questions 9–11 and 24–26 carry 4 marks each; answer in 70 words.
- (vi) Questions 12–15 and 27–30 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. What is the relation between marginal cost and average variable cost when marginal cost is rising and average variable cost is falling ?

2. Suppose total revenue is rising at a constant rate as more and more units of a commodity are sold, marginal revenue would be : (choose the correct alternative)

- | | |
|----------------------------------|------------------------------|
| (A) Greater than average revenue | (B) Equal to average revenue |
| (C) Less than average revenue | (D) Rising |

3. When does 'increase' in demand take place ?

4. 'Homogenous products' is a characteristic of : (choose the correct alternative)

- | | |
|------------------------------|----------------------------|
| (A) Perfect competition only | (B) Perfect oligopoly only |
| (C) Both (a) and (b) | (D) None of the above |

5. There is inverse relation between price and demand for the product of a firm under : (choose the correct alternative)

- | | |
|--|-----------------------------------|
| (A) Monopoly only | (B) Monopolistic competition only |
| (C) Both under monopoly and monopolistic competition | (D) Perfect competition only |

6. A consumer consumes only two goods X and Y. Marginal utilities of X and Y are 5 and 4 respectively. The prices of X and Y are Rs. 4 per unit and Rs. 5 per unit respectively. Is the consumer in equilibrium? What will be the further reaction of the consumer? Explain.

7. Price elasticity of demand of good X is -2 and of good Y is -3 . Which of the two goods is more price elastic and why ?

8(a). What is maximum price ceiling ? Explain its implications.

OR

8(b). Explain the chain effects, if the prevailing market price is below the equilibrium price.

9. Explain the effect of change in prices of the related goods on demand for the given good.

10(a). Define production function. Distinguish between short run and long run production functions.

OR

10(b). Define cost. Distinguish between fixed and variable costs. Give one example of each.

11. A producer supplies 80 units of a good at a price of Rs. 10 per unit. Price elasticity of supply is 4. How much will he supply at Rs. 9 per unit ?

12. Assuming that no resource is equally efficient in production of all goods, name the curve which shows production potential of the economy. Explain, giving reasons, its properties.

13. Explain the conditions of consumer's equilibrium using indifference curve analysis.

14. Explain the distinction between "change in quantity supplied" and "change in supply". Use diagram.

14-VI. Note : For blind candidates in lieu of Q. No. 14.

Explain the distinction between "change in quantity supplied" and "change in supply". Use schedule.

15(a). Explain the implications of the following in a perfectly competitive market :

- (a) Large number of buyers
 - (b) Freedom of entry and exit to firms
-

OR

15(b). Explain the implications of the following in an oligopoly market :

- (a) Inter-dependence between firms
 - (b) Non-price competition
-

Section B

16. Define stocks.

17. Depreciation of fixed capital assets refers to : (choose the correct alternative)

- | | |
|--|-----------------------------|
| (A) Normal wear and tear | (B) Foreseen obsolescence |
| (C) Normal wear and tear and foreseen obsolescence | (D) Unforeseen obsolescence |

18. What is revenue expenditure ?

19. Fiscal deficit equals : (choose the correct alternative)

- | | |
|--------------------------------------|---------------------------------------|
| (A) Interest payments | (B) Borrowings |
| (C) Interest payments less borrowing | (D) Borrowings less interest payments |

20. Foreign exchange transactions dependent on other foreign exchange transactions are called : (choose the correct alternative)

- | | |
|----------------------------------|----------------------------------|
| (A) Current account transactions | (B) Capital account transactions |
| (C) Autonomous transactions | (D) Accommodating transaction |

21. Find net value added at factor cost :

		(Rs. Lakh)
(i)	Durable use producer goods with a life span of 10 years	10
(ii)	Single use producer goods	5
(iii)	Sales	20
(iv)	Unsold output produced during the year	2
(v)	Taxes on production	1

22(a). Distinguish between marginal propensity to consume and average propensity to consume. Give a numerical example.

OR

22(b). Explain the role of taxation in reducing excess demand.

23. In an economy investment is increased by Rs. 300 crore. If marginal propensity to consume is $\frac{2}{3}$, calculate increase in national income.

24. Government incurs expenditure to popularize yoga among the masses. Analyse its impact on gross domestic product and welfare of the people.

25(a). Explain the 'store of value' function of money. How has it solved the related problem created by barter ?

OR

25(b). Explain the 'unit of account' function of money. How has it solved the related problem created by barter ?

26. Explain how open market operations are helpful in controlling credit creation.

27(a). What is government budget ? Explain how taxes and subsidies can be used to influence allocation of resources.

OR

27(b). Define revenue receipts in a government budget. Explain how government budget can be used to bring in price stability in the economy.

28. Given consumption curve, derive saving curve and state the steps taken in the process of derivation. Use diagram.

28-VI. Note : For Blind Candidates in lieu of Q. No. 28.

Explain the components of consumption function. Derive saving function from consumption function.

29(a). In which sub-account and on which side of balance of payments account will foreign investments in India be recorded ? Give reasons.

29(b). What will be the effect of foreign investments in India on exchange rate ? Explain.

30(a). Find national income :

		(Rs. crores)
(i)	Wages and salaries	1000
(ii)	Net current transfers to abroad	20
(iii)	Net factor income paid to abroad	10
(iv)	Profit	400
(v)	National debt interest	120
(vi)	Social security contributions by employers	100
(vii)	Current transfers from government	60
(viii)	National income accruing to government	150
(ix)	Rent	200
(x)	Interest	300
(xi)	Royalty	50

30(b). Find private income :

		(Rs. crores)
(i)	Wages and salaries	1000
(ii)	Net current transfers to abroad	20
(iii)	Net factor income paid to abroad	10
(iv)	Profit	400
(v)	National debt interest	120
(vi)	Social security contributions by employers	100
(vii)	Current transfers from government	60
(viii)	National income accruing to government	150
(ix)	Rent	200
(x)	Interest	300
(xi)	Royalty	50

- End of Question Paper -