

CBSE Class 12 Economics 2016 - Set 58/2/1



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 word limits and internal choices printed with the questions.

Section A

1. A producer borrows money to run a business but manages the business himself. Identify implicit cost.

2. A firm is able to sell more quantity of a good only by lowering the price. The firm's marginal revenue, as he goes on selling, would be : (choose the correct alternative)

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

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

4. 'A few big sellers' is a characteristics of : (choose the correct alternative)

- | | |
|-------------------------|------------------------------|
| (A) Perfect competition | (B) Monopolistic competition |
| (C) Oligopoly | (D) None of the above |

5. Marginal revenue of a firm is constant throughout under : (choose the correct alternative)

- | | |
|-------------------------|------------------------------|
| (A) Perfect competition | (B) Monopolistic competition |
| (C) Oligopoly | (D) All the above |

6. A consumer consumes only two goods X and Y. The Marginal Rate of Substitution is 1. Prices of X and Y are ₹ 3 and ₹ 4 per unit respectively. Is the consumer in equilibrium ? What will be further reaction of the consumer ? Give reason.

7. Price elasticity of demand for the two goods X and Y are zero and (-) 1 respectively. Which of the two is more elastic and why ?

8(a). Explain the meaning of 'minimum' price ceiling and its implications.

OR

8(b). Explain the chain of effects of 'increase' in demand of a good.

9. Explain the effect of change in income of a consumer on demand of a good.

10(a). What type of production function is this in which only one input is increased and others kept constant ? State the behaviour of total product in this production function.

OR

10(b). Define cost. State the behaviour of (a) Total Fixed Cost and (b) Total Variable Cost as output is increased.

11. What is perfectly elastic supply ? When price falls by ₹ 2 per unit, supply falls from 100 units to 80 units. Price elasticity of supply is 2. What was the price per unit before change ? Calculate.

12. Explain the concepts of Opportunity Cost and Marginal Rate of Transformation using a production possibility schedule based on the assumption that no resource is equally efficient in production of all goods.

13. A consumer consumes only two goods X and Y. Explain the conditions of consumer's equilibrium using Marginal Utility Analysis.

14. Explain the difference between "Shift of Supply Curve" and "Movement along Supply Curve". State one factor responsible for each. Use diagrams.

14-VI. For blind candidates :

Explain the derivation of market supply schedule from individual's supply schedules assuming that there are only two sellers. Take a numerical example.

15(a). Explain the implications of the following :

(a) Product differentiation in monopolistic competition.

(b) Perfect knowledge in perfect competition.

OR

15(b). Explain the implications of the following :

(a) Interdependence between firms in oligopoly.

(b) Large number of sellers in perfect competition.

Section B

16. Define Gross Investment.

17. Unforeseen obsolescence of fixed capital assets during production is : (choose the correct alternative)

- | | |
|----------------------------------|-----------------------|
| (A) Consumption of fixed capital | (B) Capital loss |
| (C) Income loss | (D) None of the above |

18. What is primary deficit ?

19. Disinvestment by government means : (choose the correct alternative)

- | | |
|---|---|
| (A) Selling of its fixed capital assets | (B) Selling of shares of public enterprises held by it. |
| (C) Selling of its buildings | (D) All the above |

20. Balance of Payments 'deficit' is the excess of : (choose the correct alternative)

- | | |
|---|---|
| (A) Current account payments over current account receipts. | (B) Capital account payments over capital account receipts. |
| (C) Autonomous payments over autonomous receipts. | (D) Accommodating payments over a accommodating receipts. |

21. Given real income to be 400 and price index be 100, calculate nominal income.

22(a). Distinguish between Average Propensity to Consume and Marginal Propensity to Consume using a numerical example.

OR

22(b). Explain how can government spending be helpful in removing deficient demand.

23. Find equilibrium national income :

Autonomous consumption expenditure = 120

Marginal propensity to consume = 0.9

Investment expenditure = 1100

24. Government spends on child immunization programme. Analyse its impact on Gross Domestic Product and welfare of the people.

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

OR

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

26. Explain the 'bank of issue' function of central bank.

27(a). What are revenue receipts ? Explain the role of government budget in bringing stability in the economy.

OR

27(b). What is government budget ? Explain the role of government budget in influencing allocation of resources in the economy.

28. Derive the two alternative conditions of expressing national income equilibrium. Show these equilibrium conditions on a single diagram.

28-VI. For the blind candidates :

Derive the two alternative conditions of expressing national income equilibrium. Explain the effects when economy is not in equilibrium.

29. Indian investors borrow from abroad. Answer the following :

(a) In which sub-account and on which side of the Balance of Payments Account will this borrowing be recorded ? Give reason.

(b) Explain what is the impact of this borrowing on exchange rate.

30(a). Calculate Net Domestic Product at Factor Cost :

		(₹ crore)
(i)	Gross National Disposable Income	600
(ii)	Net current transfers to abroad	(-) 20
(iii)	Consumption of fixed capital	60
(iv)	Current transfers from government	30
(v)	Indirect tax	100
(vi)	Income accruing to government	80
(vii)	Subsidies	10
(viii)	Net factor income to abroad	(-) 10
(ix)	National debt interest	40
(x)	Personal tax	150

30(b). Calculate Private Income :

		(₹ crore)
(i)	Gross National Disposable Income	600
(ii)	Net current transfers to abroad	(-) 20
(iii)	Consumption of fixed capital	60
(iv)	Current transfers from government	30
(v)	Indirect tax	100
(vi)	Income accruing to government	80
(vii)	Subsidies	10
(viii)	Net factor income to abroad	(-) 10
(ix)	National debt interest	40
(x)	Personal tax	150

- End of Question Paper -