CBSE Class 12 Economics 2017 - Set 58/1

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. When is a good considered a normal good ?

2. Let TR be total revenue, Q be quantity of output, and 'n' the number of units, then marginal revenue equals : (choose the correct alternative)

(A) $TR_n - TR_{n-1}$ only
(B) Change in TR / Change in Q only
(C) Both (A) and (B)
(D) None of the above

3. Define short-run production function.

4. There are large number of buyers and sellers in : (choose the correct alternative)

(A) Perfect competition only
(B) Monopolistic competition only
(C) Both in (A) and (B)
(D) Oligopoly

5. What is meant by price floor ?

6(a). Explain the central problem "for whom to produce".

OR

6(b). Explain the central problem "how to produce".

7. Why is a typical production possibility curve concave ? Explain

8. When price of a good rises from ₹ 1 to ₹ 2 per unit, quantity demanded falls from 100 units to 50 units. Calculate its price elasticity of demand.

9. Explain any four factors that affect the supply of a good.

10(a). Identify the equilibrium level of output using "marginal cost and marginal revenue" approach. Give reasons for your answer.

Price (₹)	Output (units)	Total cost (₹)	Marginal cost
6	1	10	10
6	2	15	5
6	3	21	6
6	4	28	7
6	5	37	9

OR

10(b). Identify the three phases of the law of variable proportions. Give reasons.

Variable input (units)	Total product (units)
1	3
2	7
3	10
4	12
5	11

11. Explain the feature "few firms" and its implications in an oligopoly market.

12. A consumer consumes only two goods X and Y. Explain the conditions of consumer's equilibrium using utility analysis.

13(a). Explain why is an indifference curve (a) downward sloping from left to right and (b) convex.

OR

13(b). Explain the concept of Marginal Rate of Substitution and its behaviour along the typical indifference curve. Give a numerical example. Also give reason for its behaviour.

14. An individual undertakes retail business in the premises taken on rent. The business is financed by his own savings. He also manages the business himself. What are the explicit costs and implicit costs in it directly identifiable ? Give reasons for your answer.

15. The equilibrium market wage rate is ₹ 14,000 per month. The government finding it low fixes minimum wage rate at ₹ 18,000 per month. Examine the implications of this decision. Use diagram.

15-VI. For the blind candidates only in lieu of Q. No. 15

Explain the implications of fixing minimum wage rate higher than equilibrium market wage rate. Use a numerical example.

Section B

16. Goods purchased for the following purpose are final goods : (choose the correct alternative)

(A) For satisfaction of wants
(B) For investment in firm
(C) Both (A) and (B)
(D) None of the above

17. What is meant by real gross domestic product ?

18. Which one of the following is an indirect tax ? (choose the correct alternative)

(A) Profit Tax
(B) Wealth Tax
(C) Customs duty
(D) Gift Tax

19. Define capital receipts in a government budget.

20. An Indian company located in India invests in a company located abroad. This transaction is entered in India's balance of payments account on : (choose the correct alternative)

(A) credit side of current account
(B) debit side of current account
(C) credit side of capital account
(D) debit side of capital account

21. Giving reason state how the following are treated in estimation of national income :

(i) Payment of interest by banks to its depositors.

(ii) Expenditure on old age pensions by government.

(iii) Expenditure on engine oil by car service station.

22(a). What is the difference between marginal propensity to consume and marginal propensity to save ? What is the relation between the two ?

OR

22(b). What is meant by aggregate demand ? State its components.

23. National income increases by ₹ 2500 crore when an additional investment of ₹ 500 crore is made. Calculate the value of investment multiplier.

24(a). Suppose a ban is imposed on consumption of liquor in the country. Examine its effects on (a) gross domestic product and (b) welfare.

OR

24(b). How do the negative externalities affect the welfare of the people ? Explain by taking an example.

25. If the legal reserve ratio is 20 percent and new deposits ₹ 1000, explain the process of credit creation by commercial banks.

26. Explain the role of Reverse Repo Rate in increasing money supply.

27. Explain the determination of equilibrium level of national income using 'saving and investment' approach. Use diagram. Also explain the effects if saving is greater than investment.

27-VI. For blind candidates only in lieu of Q. No. 27.

Derive saving and investment approach from aggregate demand and aggregate supply approach for determination of equilibrium level of national income. Explain what happens if saving is greater than investment.

28(a). Government provides essential items of food grains almost free to the families below the poverty line. Which objective the government is trying to fulfil through the government budget and how ? Explain.

OR

28(b). Explain how the economic stabilization objective can be fulfilled through the government budget.

29. Distinguish between the fixed exchange rate and the floating exchange rate. If exchange rate falls, explain its effects on exports and imports.

30. Calculate (a) Net Domestic Product at Factor Cost and (b) Gross National Disposable Income :

		(₹ Crore)
(i)	Dividends	50
(ii)	Social security contributions by employers	40
(iii)	Corporate profit tax	30
(iv)	Consumption of fixed capital	60
(v)	Net factor income to abroad	20
(vi)	Retained earnings of private corporate sector	20
(vii)	Interest	150
(viii)	Net current transfers to rest of the world	(–) 10
(ix)	Rent	100
(x)	Net indirect tax	70
(xi)	Compensation of employees	600

- End of Question Paper -