CBSE Class 12 Economics 2017 - Set 58/1/2

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. Define production function.

2. A perfectly competitive firm faces : (Choose the correct alternative)

(A) Constant price
(B) Constant average revenue
(C) Constant marginal revenue
(D) All the above

3. Under which form of market a firm is called price taker ?

4. When is a good considered an inferior good ?

5. Average revenue equals : (Choose the correct alternative)

(A) Total revenue divided by the quantity produced.
(B) Price
(C) Both (A) and (B)
(D) None of the above

6. Why does a production possibility curve slope downwards from left to right ? Explain.

7(a). Distinguish between positive economics and normative economics. Give an example of each.

OR

7(b). Distinguish between micro-economics and macro-economics. Give an example of each.

8. When price of a good falls by 20 percent, its demand rises by 30 percent. Calculate its price elasticity of demand.

9(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 (₹)
10	1	10	10
10	2	19	9
10	3	26	7
10	4	36	10
10	5	48	12

OR

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

Variable Input (Units)	Total Product (Units)
1	5
2	11
3	15
4	17
5	15

10. Explain any two causes of 'increase in supply' of a commodity.

11. What difference does it make to the market when we say that there are 'differentiated products' in monopolistic competition ? Explain.

12(a). Define budget line and indifference curve. Also explain why the two are downward sloping from left to right ?

OR

12(b). (a) Why is budget line a straight line ? Explain.

(b) Why is indifference curve convex ? Explain.

13. It is expected that replacement of all existing taxes on good X by the proposed single Goods and Services Tax (GST) will bring down overall tax on good X substantially. Explain its likely chain of effects on price and quantity of good X. Use diagram.

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

It is expected that replacement of all existing taxes on good X by the proposed single Goods and Services Tax (GST) will bring down overall tax on good X substantially. Explain its likely chain of effects on price and quantity of good X. Use a schedule.

14. A farmer undertakes farming on the land owned by him with only family members working on it. The farmer borrows money for this purpose. What are the explicit costs and implicit cost directly identiable in it ? Give reason for your answer.

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

Section B

16. Fiscal deficit equals : (Choose the correct alternative)

(A) Primary deficit minus interest payments

(B) Primary deficit plus interest payments

(C) Total budget expenditure minus total budget receipts

(D) None of the above

17. What is meant by revenue receipt in a Government Budget ?

18. A company located in India receives a loan from a company located abroad. How is this transaction recorded in India's balance of payments account ? (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

19. Foreign embassies in India are a part of India's : (Choose the correct alternative)

(A) Economic territory

(B) Geographical territory

(C) Both (A) and (B)

(D) None of the above

20. What is meant by Nominal Gross Domestic Product ?

21(a). Distinguish between ex-ante measure and ex-post measure of a variable. Which of the two forms the basis of the theory of national income determination ?

OR

21(b). Distinguish between average propensity to consume and average propensity to save. What is the relation between the two ?

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

(i) Payment of interest by an individual to a bank on a loan to buy a car.

(ii) Expenditure by government on providing free educational services.

(iii) Expenditure on purchasing a machine installed in a production unit.

23. If marginal propensity to consume is 0.8, how much will be the value of investment multiplier ? Calculate.

24(a). Suppose a ban is imposed on consumption of tobacco. Examine its likely effects on (a) gross domestic product and (b) welfare.

OR

24(b). How does increase in inequalities in distribution of income affect welfare of the society ? Explain.

25. If Legal Reserve Ratio is 0.1 and new deposits are ₹ 10,000, explain the process of deposit creation by the commercial banks.

26. Explain the role of Cash Reserve Ratio in increasing money supply.

27(a). The Government, under Ujjwala Yojana, is providing free LPG kitchen gas connections to the families 'below the poverty line'. What objective the government is trying to fulfil through the government budget and how ? Explain.

OR

27(b). Explain how the allocation of resources can be influenced in the government budget through taxes, expenditure and subsidies.

28. Explain three sources of demand for foreign exchange and three sources of supply of foreign exchange.

29. Explain determination of equilibrium level of national income using aggregate demand and aggregate supply approach. Use diagram. Also explain the effect when aggregate demand is less than aggregate supply.

29-VI. For blind candidates in lieu of Q. No. 29.

What is meant by aggregate demand and aggregate supply ? Given aggregate demand and aggregate supply behaviour, when is an economy in equilibrium ? What happens when aggregate demand is less than aggregate supply ? Explain.

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

		(₹ crore)
(i)	Property and entrepreneurial income accruing to Government Administrative Departments.	35
(ii)	Personal disposable income	500
(iii)	National debt interest	20
(iv)	Savings of non-departmental enterprises	25
(v)	Direct taxes on persons	100
(vi)	Net current transfers from rest of the world	(–) 10
(vii)	Net factor income to abroad	10
(viii)	Corporate profit tax	60
(ix)	Current transfers from government	30
(x)	Retained earnings of private corporate sector	40

- End of Question Paper -