

CBSE Class 12 Economics 2017 - 58/1/3 - 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 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. As we move along a downward sloping straight line demand curve from left to right, price elasticity of demand : (choose the correct alternative)

- (A) remains unchanged (B) goes on falling
(C) goes on rising (D) falls initially then rises

2. Define market demand.

3. The demand of a commodity when measured through the expenditure approach is inelastic. A fall in its price will result in : (choose the correct alternative)

- (A) no change in expenditure on it. (B) increase in expenditure on it.
(C) decrease in expenditure on it. (D) any one of the above.

4. State any one feature of oligopoly.

5. Average revenue and price are always equal under : (choose the correct alternative)

- (A) perfect competition only (B) monopolistic competition only
(C) monopoly only (D) all market forms

6. Explain the problem of 'how to produce.'

7. State the meaning and properties of production possibilities frontier.

8(a). Show that demand of a commodity inversely related to its price. Explain with the help of utility analysis.

OR

8(b). Why is an indifference curve negatively sloped ? Explain.

9. Explain the meaning of diminishing marginal rate of substitution with the help of an example.

10(a). State different phases of the law of variable proportions on the basis of total product. Use diagram.

OR

10(b). Explain the geometric method of measuring price elasticity of supply. Use diagram.

10-VI1. For blind candidates in lieu of Q. No. 10.

State different phases of the law of variable proportions with the help of a schedule.

10-VI2. For blind candidates in lieu of Q. No. 10.

Explain the distinction between 'change in supply' and 'change in quantity supplied.'

11. Explain the 'free entry and exit of firms' feature of monopolistic competition.

12. Complete the following table :

Output units	Total cost Rs.	Average variable cost Rs.	Marginal cost Rs.	Average fixed cost Rs.
0	30			
1	---	---	20	---
2	68	---	---	---
3	84	18	---	---
4	---	---	18	---
5	125	19	---	6

13(a). Good Y is a substitute of good X. The price of Y falls. Explain the chain of effects of this change in the market of X.

OR

13(b). Explain the chain of effects of excess supply of a good on its equilibrium price.

14. When price of a commodity X falls by 10 per cent, its demand rises from 150 units to 180 units. Calculate its price elasticity of demand. How much should be the percentage fall in its price so that its demand rises from 150 to 210 units ?

15. Using marginal cost and marginal revenue approach, find out the level of output at which producer will be in equilibrium. Give reasons for your answer.

Output (Units)	1	2	3	4	5	6
Average Revenue (Rs.)	20	20	20	20	20	20
Total Cost (Rs.)	22	42	60	76	96	120

Section B

16. Aggregate demand can be increased by :
(choose the correct alternative)

- (A) increasing bank rate (B) selling government securities by Reserve Bank of India
(C) increasing cash reserve ratio (D) none of the above

17. Give the meaning of involuntary unemployment.

18. Give the meaning of balance of payments.

19. The ratio of total deposits that a commercial bank has to keep with Reserve Bank of India is called : (choose the correct alternative)

- (A) Statutory liquidity ratio (B) Deposit ratio
(C) Cash reserve ratio (D) Legal reserve ratio

20. What is fiscal deficit ?

21. Distinguish between final goods and intermediate goods. Give an example of each.

22(a). Explain the store of value function of money.

OR

22(b). State the meaning and components of money supply.

23. Explain the basis of classifying taxes into direct and indirect tax. Give examples.

24(a). Explain 'banker to the government' function of the central bank.

OR

24(b). Explain the role of reverse repo rate in controlling money supply.

25. Explain how government budget can be used to influence distribution of income ?

26. An economy is in equilibrium. From the following data calculate autonomous consumption.

(i) Income = 10000

(ii) Marginal propensity to save = 0.2

(iii) Investment = 1500

27(a). Explain 'non-monetary exchanges' as a limitation of using gross domestic product as an index of welfare of a country.

OR

27(b). How will you treat the following while estimating domestic product of a country ? Give reasons for your answer :

(a) Profits earned by branches of country's bank in other countries

(b) Gifts given by an employer to his employees on independence day

(c) Purchase of goods by foreign tourists

28. Assuming that 'increase' in investment is Rs. 900 crore and marginal propensity to consume is 0.6, explain the working of multiplier.

29. Calculate (a) net national product at market price and (b) gross national disposable income :

		Rs. in crores
(i)	Gross domestic fixed capital formation	400
(ii)	Private final consumption expenditure	8000
(iii)	Government final consumption expenditure	3000
(iv)	Change in stock	50
(v)	Consumption of fixed capital	40
(vi)	Net indirect taxes	100
(vii)	Net exports	(-) 60
(viii)	Net factor income to abroad	(-) 80
(ix)	Net current transfers from abroad	100
(x)	Dividend	100

30. Why does the demand for foreign currency fall and supply rises when its price rises ? Explain.

- End of Question Paper -