CBSE Class 12 Economics 2017 - Set 58/1/3

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

2. When is a good considered an inferior good ?

3. 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

4. Define production function.

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

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

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

OR

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

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

8. When price of a good falls by 50 percent, its demand rises by 60 percent. Calculate its price elasticity of demand.

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

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

OR

10(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

11. What difference does it make to the market when we say that firms are interdependent in oligopoly ? Explain.

12. 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.

12-VI. For the blind candidates in lieu of Q. No. 12

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.

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

14. A chartered accountant starts accounting services in the office owned by him and by investing his own savings. He employs assistants for this purpose. What are explicit costs and implicit costs directly identifiable in it ? Give reason for your answer.

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

OR

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

(b) Why is indifference curve convex ? Explain.

Section B

16. 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

17. 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

18. What is meant by Nominal Gross Domestic Product ?

19. 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

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

21. 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.

22(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

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

23. If marginal propensity to consume is 0.9, calculate the value of investment multiplier.

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 0.2 and new deposits are ₹ 5,000, explain the process of money creation by commercial banks.

26. Explain the role of Repo Rate in reducing money supply.

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

28. 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.

28-VI. For blind candidates in lieu of Q. No. 28.

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.

29(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

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

30. Calculate (a) Private Income and (b) Net National Product at Market Price :

		(₹ crore)
(i)	Current transfers from Government	20
(ii)	Property and entrepreneurial income of the Government Administrative Departments	10
(iii)	Personal disposable income	400
(iv)	Direct taxes on persons	70
(v)	Retained earnings of Private Corporate Sector	30
(vi)	Savings of non-departmental enterprises	20
(vii)	Consumption of fixed capital	50
(viii)	Corporate profit tax	80
(ix)	National debt interest	40
(x)	Net current transfers to rest of the world	(–) 10

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