CBSE Class 12 Economics 2017 - Set 58/2

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 short-run production function.

2. 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

3. What is meant by price floor ?

4. When is a good considered a normal good ?

5. 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

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

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

OR

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

8. When price of a good falls from ₹ 10 per unit to ₹ 7 per unit, quantity demanded of the good rises from 100 to 160 units. 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
6	1	10	10
6	2	15	5
6	3	21	6
6	4	28	7
6	5	37	9

OR

9(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

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

11. What difference does it make to the market when we say that there are large number of sellers in a perfectly competitive market ? Explain

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

OR

12(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.

13. 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.

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

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

14. A person starts a taxi service. The taxi is financed by a bank. He himself drives the taxi. He also pays annual license fees to government. What are the explicit and implicit costs directly identifiable in it ? Give reasons for your answer.

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

Section B

16. 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

17. Define capital receipts in a government budget.

18. 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

19. 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

20. What is meant by real gross domestic product ?

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

OR

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

22. 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.

23. National income increases by ₹ 1000 crore due to an additional investment of ₹ 400 crores. 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 legal reserve ratio is 20 percent and new bank deposits ₹ 5000, explain the process of money creation by the commercial banks.

26. Explain the role of bank rate in decreasing money supply.

27(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

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

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

29. 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.

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

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.

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

		(₹ Crore)
(i)	Net current transfers to the rest of the world	(–) 10
(ii)	Consumption of fixed capital	70
(iii)	Mixed income of self-employed	500
(iv)	Subsidies	20
(v)	Social security contributions by employers	100
(vi)	Operating surplus	300
(vii)	Wages and salaries	600
(viii)	Indirect tax	120
(ix)	Net factor income to abroad	30
(x)	Rent	80

- End of Question Paper -