

Question Paper

Conducted by the Central Board of Secondary Education (CBSE)



Time Allowed: 3 Hours

Maximum Marks: 80

General Instructions

- (i) This question paper contains 24 questions.
- (ii) All questions in both sections are compulsory. Marks are indicated against each question.
- (iii) Questions 1–4 and 13–16 carry 1 mark each; answer in one sentence.
- (iv) Questions 5–6 and 17–18 carry 3 marks each; answer in 60 words.
- (v) Questions 7–9 and 19–21 carry 4 marks each; answer in 70 words.
- (vi) Questions 10–12 and 22–24 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. Which of the following does not cause shift of supply curve of a good ?

(Choose the correct alternative)

- (A) Price of input (B) Price of the good
(C) Goods and services tax (D) Subsidy

2. At what level of production is total cost equal to total fixed cost ?

3. Define opportunity cost.

4. Which of the following measures of price elasticity shows elastic supply ?

(Choose the correct alternative)

- (A) 0 (B) 0.5
(C) 1.0 (D) 1.5

5(a). In what circumstances may the production possibility frontier shift away from the origin ? Explain.

OR

5(b). Explain the central problem of “What is produced and in what quantities”.

6. A consumer buys 200 units of a good at a price of ₹ 20 per unit. Price elasticity of demand is (-) 2. At what price will he be willing to purchase 300 units ? Calculate.

7. Explain the conditions of producer's equilibrium under perfect competition.

8. Explain the implications of “freedom of entry and exit of firms” under perfect competition.

9(a). Write a budget line equation of a consumer if the two goods purchased by the consumer, Good X and Good Y are priced at ₹ 10 and ₹ 5 respectively and the consumer's income is ₹ 100.

OR

9(b). Define marginal rate of substitution. Explain its behaviour along an indifference curve.

10(a). Define price floor. Explain the implications of price floor.

OR

10(b). Market of a good is in equilibrium. Demand for the good ‘decreases’. Explain the chain of effects of this change.

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

12. Draw Average Variable Cost (AVC), Average Total Cost (ATC) and Marginal Cost (MC) curves in a single diagram. State the relation between MC curve and AVC & ATC curves.

12-VI. The following question is for the Blind Candidates only in lieu of Q. No. 12.

Prepare a schedule showing AVC, ATC and MC. State the relation between MC and AVC & ATC on the basis of the schedule.

Section B

13. Credit creation by commercial banks is determined by

(Choose the correct alternative)

- (A) Cash Reserve Ratio (CRR) (B) Statutory Liquidity Ratio (SLR)
(C) Initial Deposits (D) All the above

14. Give one example of negative externalities.

15. Define aggregate supply.

16. State the two components of M_1 measure of Money Supply.

17(a). What are capital goods ? How are they different from consumption goods ?

OR

17(b). Distinguish between stock and flow variables with suitable examples.

18. Define investment multiplier. How is it related to marginal propensity to consume ?

19(a). Define full employment in an economy. Discuss the situation when aggregate demand is more than aggregate supply at full employment income level.

OR

19(b). What are two alternative ways of determining equilibrium level of income ? How are these related ?

20. What is ex-Ante consumption ? Distinguish between autonomous consumption and induced consumption.

21. What is monetary policy ? State any three instruments of monetary policy.

22. Calculate (a) Operating Surplus, and (b) Domestic Income :

(₹ in crores)

(i)	Compensation of employees	2,000
(ii)	Rent and interest	800
(iii)	Indirect taxes	120
(iv)	Corporation tax	460
(v)	Consumption of fixed capital	100
(vi)	Subsidies	20
(vii)	Dividend	940
(viii)	Undistributed profits	300
(ix)	Net factor income to abroad	150
(x)	Mixed income	200

23(a). What is government budget ? Explain its major components.

OR

23(b). Explain (a) allocation of resources and (b) economic stability as objectives of government budget.

24. Discuss briefly the meanings of :

- (i) Fixed Exchange Rate
(ii) Flexible Exchange Rate
(iii) Managed Floating Exchange Rate

- End of Question Paper -