

CBSE Class 12 Economics 2019 - Set 58/1/3

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 word limits and internal choices printed with the questions.

Section A

1. The cost of next best alternative foregone is called as _____. (Fill up the blank)

2(a). State the equation of budget line.

OR

2(b). Define Marginal Utility.

3. According to cardinal approach, utility is measured in terms of _____. (Choose the correct alternative)

- | | |
|------------|-----------|
| (A) Rupees | (B) Ranks |
| (C) Utils | (D) Units |

4(a). State any one valid reason for leftward shift in demand curve.

OR

4(b). State the meaning of price elasticity of demand.

5. Comment upon the shape of production possibility curve, if the marginal rate of transformation decreases.

6(a). Discuss with valid reason, what happens to Average Fixed Cost (AFC) curve as output produced increases.

OR

6(b). State and discuss the reason behind the U-shape nature of Average Variable Cost curve.

7(a). Giving valid reasons, state whether the following statements are true or false :

(a) An increase in the income of a consumer would lead to an increase in demand for all types of goods demanded by him.

(b) If percentage change in quantity demanded is equal to percentage change in price, the demand curve will be a straight line parallel to y-axis.

OR

7(b). The price of a commodity X decreases by 10%, as a result the quantity demanded doubles. Calculate coefficient of price elasticity of demand. Comment upon the likely shape of the demand curve.

8. "A firm under perfect competition is a price taker and the industry is a price maker." Do you agree with the given statement ? Support your answer with valid explanation.

9(a). Complete the following cost schedule :

Output (in units)	1	2	3	4
Total Cost (in ₹)	30	–	–	48
Average Cost (in ₹)	–	–	12	–
Marginal Cost (in ₹)	–	10	–	–

OR

9(b). State the relationship between Average Revenue (AR) and Marginal Revenue (MR), using a schedule or diagram, under imperfect competition market.

10(a). A consumer consumes only two goods A and B and is in equilibrium. If the price of good B rises, explain the likely reaction of the consumer under utility analysis.

OR

10(b). Explain any two properties of indifference curve.

11. On the basis of the given schedule, state at which level of output will the firm be at equilibrium and why ?

Quantity Sold (in units)	0	1	2	3	4	5	6
Price (in ₹)	10	10	10	10	10	10	10
Total Cost (in ₹)	10	12	24	40	50	56	57

12. Market for a good is in equilibrium. Due to some technical innovation, production technology of the good improves. Explain the likely effects of this change on equilibrium price and equilibrium quantity of the good.

Section B

13(a). Signature of _____ appears on a ₹ 2000 currency note. (Fill up the blank.)

OR

13(b). State the formula used for calculating money multiplier.

14. Which one of the following is not a Capital expenditure ?

- | | |
|----------------------------------|--------------------------------------|
| (A) Loans advanced by World Bank | (B) Construction of school buildings |
| (C) Repayment of loans | (D) Tax Receipts |

15. Repo rate relates to _____. (Choose the correct alternative)

- | | |
|---|--|
| (A) Short-term borrowings by commercial banks | (B) Long-term borrowings by commercial banks |
| (C) Disinvestments | (D) Dis-savings |

16. State the meaning of revenue deficit.

17(a). “An economy facing unintended accumulation of inventories would try to reduce aggregate demand.” Do you agree with the given statement ? Support your answer with valid reasons.

OR

17(b). Value of which of the following can be greater than one and why ?

- (a) Marginal Propensity to Consume (MPC)
(b) Average Propensity to Consume (APC)

18. Giving valid reasons, state whether the following statements are true or false :

- (a) An excess of aggregate demand over full employment level of aggregate supply represents a situation of inflationary gap.
(b) If the ratio of Marginal Propensity to Consume (MPC) and Marginal Propensity to Save (MPS) is 4 : 1, the value of investment multiplier will be 4.

19(a). What is legal reserve ratio ? How does it influence the process of credit creation ?

OR

19(b). Explain ‘Banker’s Bank’ function of Central Bank.

20. Calculate “Gross value of output” from the following data :

		(₹ in crores)
(i)	Net value added at factor cost (NVA _{FC})	100
(ii)	Depreciation	30
(iii)	Subsidies	15
(iv)	Intermediate consumption	185

21. “Through its budgetary policy government allocates resources in accordance with the requirements of the country.” Do you agree with the given statement ? Justify your answer with valid reason.

22(a). Which of the following items will be included/not included while estimating Gross Domestic Product ? Give valid reasons in support of your answer.

- (a) Wages received by an Indian working in the British Embassy in India
- (b) Financial aids received from abroad after “Fani cyclone”
- (c) Purchase of second hand machinery from abroad

OR

22(b). Using numerical example, distinguish between Real National Income and Nominal National Income.

23(a). Distinguish between Autonomous Transactions and Accommodating Transactions.

23(b). Define the following :

- (i) Foreign Exchange Rate
- (ii) Foreign Currency
- (iii) Devaluation of Currency

24. The saving function of an economy is given as :

$$S = -10 + 0.20 Y$$

If the planned investment is ₹ 100 crores, calculate the following :

- (a) Equilibrium level of income in the economy.
- (b) Aggregate demand at income of ₹ 300 crores.

- End of Question Paper -