# CBSE Class 12 Economics 2019 - Set 58/2/3

## Question Paper

Conducted by the Central Board of Secondary Education (CBSE)

**Time Allowed: 3 Hours** **Maximum Marks: 80**

### General Instructions

(i) All questions in both the sections are compulsory.

(ii) Marks for questions are indicated against each question.

(iii) Question Nos. 1 – 4 and 13 – 16 are very short-answer questions carrying 1 mark each. They are required to be answered in one sentence each.

(iv) Question Nos. 5 – 6 and 17 – 18 are short-answer questions carrying 3 marks each. Answers to them should normally not exceed 60 words each.

(v) Question Nos. 7 – 9 and 19 – 21 are also short-answer questions carrying 4 marks each. Answers to them should normally not exceed 70 words each.

(vi) Question Nos. 10 – 12 and 22 – 24 are long-answer questions carrying 6 marks each. Answers to them should normally not exceed 100 words each.

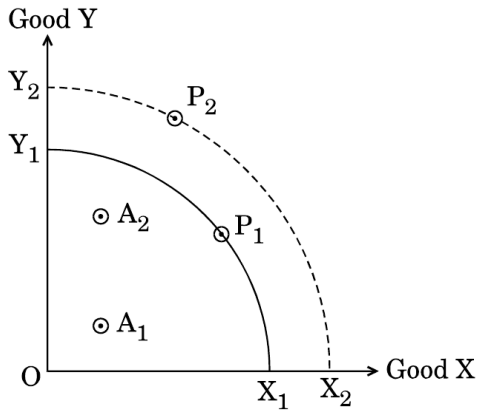
(vii) Answers should be brief and to the point and the above word limits should be adhered to as far as possible.

## Section A

**1(a).** In the given figure X1Y1 and X2Y2 are Production Possibility Curves in two different periods T1 and T2 respectively for Good X and Good Y.

A1 and A2 represent actual outputs and P1 and P2 represent potential outputs respectively in the two time periods.

The change in actual output of Goods X and Y over the two periods would be represented by movement from _____ . (Fill up the blank)




(A) A2 to P2
(B) A1 to P2
(C) P1 to A2
(D) A1 to A2

OR

**1(b).** The Marginal Rate of Transformation (MRT) is constant. The Production Possibility Curve, so formed, would be _____ to the origin. (Fill up the blank)

**2.** If the supply curve is a straight line parallel to the vertical axis (Y-axis), supply of the good is called as _____. (Fill up the blank)

(A) Unitary Elastic Supply
(B) Perfectly Elastic Supply
(C) Perfectly Inelastic Supply
(D) Perfectly Elastic Demand

**3(a).** Under imperfect competition, Average Revenue (AR) remains _____ Marginal Revenue (MR). (Fill up the blank)

OR

**3(b).** "For a firm to be in equilibrium, Marginal Revenue (MR) and Marginal Cost (MC) must be _____ and beyond that level of output Marginal Cost must be _____." (Fill up the blank)

**4.** The Total Revenue earned by selling 20 units is ₹ 700. Marginal Revenue earned by selling 21st unit is ₹ 70 . The value of Total Revenue earned by selling total 21 units will be _____. (Choose the correct alternative)

(A) ₹ 721
(B) ₹ 630
(C) ₹ 770
(D) ₹ 720

**5.** Discuss briefly the concept of normative economics, with suitable example.

**6(a).** Explain the law of diminishing marginal utility, with the help of a hypothetical schedule.

OR

**6(b).** Elaborate the law of demand, with the help of a hypothetical schedule.

**7(a).** Which of the following statements are true or false ? Give valid reasons in support of your answer.

(a) Average cost curve cuts Average variable cost curve, at its minimum level.

(b) Average product curve and Marginal product curve are 'U-shaped' curves.

(c) Under all market conditions, Average revenue and Marginal revenue are equal to each other.

(d) Total cost curve and Total variable cost curve are parallel to each other.

OR

**7(b).** Explain a firm's equilibrium under perfect competition, using a hypothetical schedule.

**8(a).** The coefficient of price elasticity of demand for Good X is (–) 0.2. If there is a 5% increase in the price of the good, by what percentage will the quantity demanded for the good fall ?

Arrange the following coefficients of price elasticity of demand in ascending order :

(–) 3.1, (–) 0.2, (–) 1.1

OR

**8(b).** How would the demand for a commodity be affected by a change in "tastes and preferences" of the consumers in favour of the commodity ? Explain using a diagram.

**8-VI. For visually impaired candidates only, in lieu of the corresponding visual question:**

The following question is for the Visually Impaired Candidates only, in lieu of Q. No. 8 (Alternative) :

How would the demand for a commodity be affected by a change in "tastes and preferences" of the consumers in favour of the commodity ? Explain.

**9.** The market for a good is in equilibrium. Explain, using a diagram, how an improvement in technology for producing the good would affect the equilibrium price and equilibrium quantity, keeping other factors constant.

**9-VI. For visually impaired candidates only, in lieu of the corresponding visual question:**

The following question is for the Visually Impaired Candidates only, in lieu of Q. No. 9 :

The market for a good is in equilibrium. Explain, how an improvement in technology for producing the good would affect the equilibrium price and equilibrium quantity, keeping other factors constant.

**10.** (a) What is meant by increasing returns to a variable factor ?

(b) Discuss briefly, any two reasons for the decreasing returns to a variable factor.

**11.** (a) "A firm under perfect competition is a price taker, whereas, a firm under monopoly is a price maker." Defend or refute the given statement with valid reasons.

(b) What is meant by "product differentiation" ? Explain with example.

**12(a).** Explain the following conditions :

(a) Movement along the same indifference curve.

(b) Shift from a lower to a higher indifference curve.

OR

**12(b).** Explain the Law of Equi-Marginal Utility.

## Section B

**13.** In order to encourage investments in the economy, the Central Bank may _____. (Choose the correct alternative)

(A) Reduce Cash Reserve Ratio
(B) Increase Cash Reserve Ratio
(C) Sell Government securities in open market
(D) Increase Bank Rate

**14.** Define 'money multiplier'.

**15.** Primary deficit in a government budget will be zero, when _____ . (Choose the correct alternative)

(A) Revenue deficit is zero
(B) Net interest payments are zero
(C) Fiscal deficit is zero
(D) Fiscal deficit is equal to interest payment

**16(a).** What do you mean by a direct tax ?

OR

**16(b).** What do you mean by an indirect tax ?

**17(a).** State the impact of "Excess Demand" under the Keynesian theory on employment, in an economy.

OR

**17(b).** State the meaning of the following :

(a) Ex-Ante Savings

(b) Full Employment

(c) Autonomous Consumption

**18.** Estimate the change in final income if Marginal Propensity to Consume (MPC) is 0.75 and change in initial investment is ₹ 2,000 crores.

**19(a).** "Higher Gross Domestic Product (GDP) means greater per capita availability of goods in the economy." Do you agree with the given statement ? Give valid reason in support of your answer.

OR

**19(b).** Explain the meaning of Real Gross Domestic Product and Nominal Gross Domestic Product, using a numerical example.

**20.** Discuss briefly the "credit controller" function of a Central Bank.

**21.** Classify the following statements as revenue receipts or capital receipts. Give valid reasons in support of your answer.

(a) Financial help from a multinational corporation for victims in a flood affected area.

(b) Sale of shares of a Public Sector Undertaking (PSU) to a private company, Y Ltd.

(c) Dividends paid to the Government by the State Bank of India.

(d) Borrowings from International Monetary Fund (IMF).

**22(a).** Define the following :

(a) Value Addition

(b) Gross Domestic Product

(c) Flow Variables

(d) Income from property and entrepreneurship

OR

**22(b).** Given the following data, find the values of "Gross Domestic Capital Formation" and "Operating Surplus".

| S. No. | Particulars | Amount (₹ in crores) |
|---|---|---|
| (i) | National Income | 22,100 |
| (ii) | Wages and Salaries | 12,000 |
| (iii) | Private Final Consumption Expenditure | 7,200 |
| (iv) | Net Indirect Taxes | 700 |
| (v) | Gross Domestic Capital Formation | ? |
| (vi) | Depreciation | 500 |
| (vii) | Government Final Consumption Expenditure | 6,100 |
| (viii) | Mixed Income of Self-Employed | 4,800 |
| (ix) | Operating Surplus | ? |
| (x) | Net Exports | 3,400 |
| (xi) | Rent | 1,200 |
| (xii) | Net Factor Income from Abroad | (–) 150 |

**23.** Discuss the adjustment mechanism in the following situations :

(a) Aggregate demand is lesser than Aggregate Supply.

(b) Ex-Ante Investments are greater than Ex-Ante Savings.

**24.** (a) Distinguish between 'Trade Deficit' and 'Current Account Deficit'.

(b) Discuss briefly the concept of flexible exchange rate system of foreign exchange rate determination.

**- End of Question Paper -**