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

## 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).** If the average fixed cost of producing 4 units of output is ₹ 60, then the value of total fixed cost for producing 5 units will be _____ . (Fill up the blank)

OR

**1(b).** State any two examples of variable cost.

**2.** If the percentage change in quantity supplied of commodity X is more than the percentage change in price of the commodity X, the coefficient of price elasticity of supply would be _____ : (Choose the correct alternative)

(A) $E_s = 1$ (B) $E_s < 1$

(C) $E_s = 0$ (D) $E_s > 1$

**3.** The marginal product curve in the input-output plane, looks like _____ : (Choose the correct alternative)

(A) a 'U' shaped curve (B) an inverse 'U' shaped curve

(C) an inverse 'S' shaped curve (D) an 'S' shaped curve

**4(a).** A production possibility curve (PPC) would be concave to the origin if marginal opportunity cost is : (Choose the correct alternative)

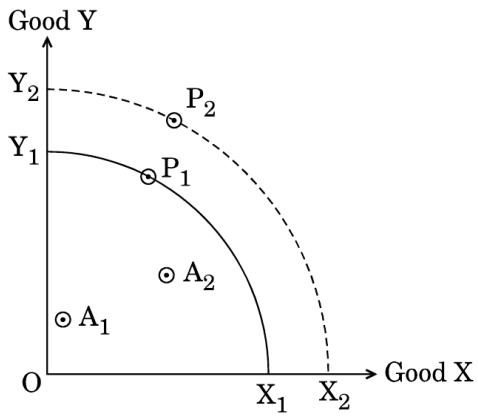
(A) Increasing (B) Decreasing

(C) Constant (D) Negative

OR

**4(b).** In the given figure $X_1$, $Y_1$ and $X_2$, $Y_2$ are production possibility frontiers for a hypothetical economy in two different time periods, Period 1 and Period 2. $A_1$ and $A_2$, represent actual outputs in Period 1 and Period 2 respectively. $P_1$ and $P_2$, represent potential outputs in Period 1 and Period 2 respectively.

The economic growth over the two periods would be represented by movement from : (Choose the correct alternative)




(A) $P_1$ to $P_2$ (B) $A_1$ to $A_2$

(C) $A_1$ to $P_1$ (D) $A_2$ to $P_2$

**5.** Explain briefly the central problem of "For whom to produce".

**6(a)(a).** A rational consumer is consuming only two goods, Good X and Good Y with ₹ 4 and ₹ 5 as their respective prices. Her total money income is ₹ 40. Answer the following questions, based on the given information :

State the consumer's budget line equation.

**6(a)(b).** A rational consumer is consuming only two goods, Good X and Good Y with ₹ 4 and ₹ 5 as their respective prices. Her total money income is ₹ 40. Answer the following questions, based on the given information :

What would be the slope of the budget line ?

OR

**6(b).** If a rational consumer is consuming only two Goods X and Y, state her likely behaviour to attain consumer's equilibrium if she faces a situation where ($MU_x/P_x < MU_y/P_y$).

**7.** Given the following schedule, state at which level of output, will the firm be at equilibrium and why.

| Quantity (in units) | Price (in ₹) | Total Cost (in ₹) |
|---|---|---|
| 0 | 10 | 5 |
| 1 | 10 | 25 |
| 2 | 10 | 35 |
| 3 | 10 | 40 |
| 4 | 10 | 50 |
| 5 | 10 | 70 |
| 6 | 10 | 100 |

**8(a).** If the price of a commodity rises by 10% and its quantity demanded falls from 40 units to 30 units, calculate coefficient of price elasticity of demand. Comment on the nature of price elasticity of demand.

OR

**8(b).** Explain the effect of the increase in the level of air pollution, on the market demand for "Air Purifiers". (Use diagram)

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

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

Explain the effect of the increase in the level of air pollution, on the market demand for "Air Purifiers".

**9(a).** What is meant by 'Price Floor' ? Explain using a suitable example.

OR

**9(b).** What is meant by 'Price Ceiling' ? Explain using a suitable example.

**10.** What is meant by 'negative returns to a factor' ? Discuss any two reasons behind negative returns to a factor.

**11(a).** Discuss briefly the following properties of an indifference curve, using diagram :

Convexity to origin

**11(b).** Discuss briefly the following properties of an indifference curve, using diagram :

Downward sloping from left to right

**11(a)-VI. For visually impaired candidates only, in lieu of the corresponding visual question:**

Note : The following question is for the Visually Impaired Candidates only, in lieu of Q. No. 11 :

Discuss briefly the following properties of an indifference curve :

Convexity to origin

**11(b)-VI. For visually impaired candidates only, in lieu of the corresponding visual question:**

Note : The following question is for the Visually Impaired Candidates only, in lieu of Q. No. 11 :

Discuss briefly the following properties of an indifference curve :

Downward sloping from left to right

**12(a)(i).** "Demand curve is the Average Revenue (AR) curve of a firm." Do you agree ? Discuss briefly, with reason in support of your answer.

**12(a)(ii).** The market for a commodity is in equilibrium. The supply of the commodity increases without any corresponding change in the demand for the commodity. Discuss the impact of the change on the equilibrium price and equilibrium quantity.

OR

**12(b).** Elaborate three main features of a monopolistic competitive form of market.

## Section B

**13(a).** Define autonomous transactions in Balance of Payments of an economy.

OR

**13(b).** Define accommodating transactions in Balance of Payments of an economy.

**14.** Define the term "Involuntary Unemployment".

**15.** According to a report forwarded by the Reserve Bank of India, there was a fall in rate of inflation as measured by Consumer Price Index (CPI) on year-on-year basis to 5% from 8% in the previous year. Which of the following statements represents the situation ?

(A) CPI has fallen

(B) CPI has risen at a rate lower than the preceding year

(C) CPI is constant

(D) None of the above

**16.** Name any two sources of demand for foreign exchange by households in an economy.

**17(a).** Distinguish between final goods and intermediate goods. Give suitable examples.

OR

**17(b).** If in a locality, a new park is developed by the municipal corporation, it will have externalities, both positive and negative. State one example each of both types of externalities with reason.

**18.** If marginal propensity to consume is 80% and is constant at all levels of income, and the autonomous consumption is ₹ 400 crores, construct consumption function of the given hypothetical economy.

**19(a).** State which of the following statements are true or false. Give valid reasons.

According to Keynesian theory of employment, a state of under-employment can never exist in an economy.

**19(b).** State which of the following statements are true or false. Give valid reasons.

In a two-sector economy, if income is zero, average propensity to consume will also be zero.

**20(a).** In recent times the Indian Rupee (₹) depreciated to an all time low against the US dollar ($). Discuss its impact on India's Imports.

OR

**20(b).** "A country with trade deficit cannot have current account surplus in its Balance of Payments." Do you agree with the given statement ? Discuss with reason.

**21.** Show inflationary gap using a well labelled diagram. Suggest any two fiscal measures to correct the situation of inflationary gap.

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

Note : The following question is for the Visually Impaired Candidates only, in lieu of Q. No. 21 :

What is meant by inflationary gap ? Suggest any two fiscal measures to correct the situation of inflationary gap.

**22.** Explain the process of money creation by a commercial bank using a hypothetical numerical example.

**23.** Given the following data, find the values of 'Operating Surplus' and 'Net Exports' :

| S.No. | Particulars | Amount (in ₹ Crores ) |
|---|---|---|
| i | Mixed Income of Self-Employed | 700 |
| ii | Net Factor Income from Abroad | 150 |
| iii | Private Final Consumption Expenditure | 2,200 |
| iv | Profits | 200 |
| v | Net Indirect Taxes | 150 |
| vi | National Income | 5,000 |
| vii | Gross Domestic Capital Formation | 1,100 |
| viii | Wages and Salaries | 2,200 |
| ix | Net Exports | ? |
| x | Government Final Consumption Expenditure | 1,300 |
| xi | Consumption of Fixed Capital | 200 |
| xii | Operating Surplus | ? |

**24(a)(i).** Distinguish between revenue receipts and capital receipts of the government.

**24(a)(ii).** Do 'disinvestment' and 'loan proceeds from abroad' constitute revenue receipts of the government ? Give reason.

OR

**24(b).** Given the following data estimate the values of (i) Revenue deficit, and (ii) Fiscal deficit :

| S.No. | Particulars | Amount (in ₹ Crores) |
|---|---|---|
| 1 | Tax Revenue | 1,000 |
| 2 | Non-Tax Revenue | 150 |
| 3 | Net Borrowings by Government | 780 |
| 4 | Disinvestment Proceeds | 50 |
| 5 | Revenue Expenditure | 1,500 |
| 6 | Capital Expenditure | 480 |

**- End of Question Paper -**