# CBSE Class 12 Economics 2019 - Set 58/4/3

## 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.

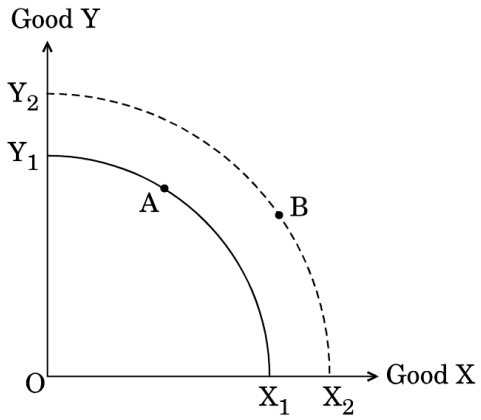
(v) Question Nos. 7 – 9 and 19 – 21 are also short-answer questions carrying 4 marks each. Answers to them should normally not exceed 70 words each.

(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).** Shift from Point A on Production Possibility Curve $X_1Y_1$ to Point B on $X_2Y_2$ in the given figure indicates : (Choose the correct alternative)




(A) Decrease in resources
(B) Increase in resources
(C) Full and efficient utilisation of resources
(D) Wastage of resources

OR

**1(b).** A Production Possibility Curve (PPC) would be convex to the origin if Marginal Rate of Transformation (MRT) is _____ . (Fill up the blank)

**2(a).** Mention any two examples of implicit cost incurred by a firm.

OR

**2(b).** Define variable cost.

**3.** The coefficient of price elasticity of supply of a good is 3. It is known as _____ . (Choose the correct alternative)

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

**4.** The shape of the average revenue curve under perfect competition would be _____ . (Fill up the blank)

**5.** Discuss the relationship between total utility and marginal utility, using a hypothetical schedule.

**6(a).** Discuss briefly the central problem of "What to produce".

OR

**6(b).** Classify the following statements into positive economics or normative economics, with suitable reasons :

(a) Consumer price index presents a more realistic picture of the inflation rate in a country, than the wholesale price index.

(b) Subsidies should be offered very carefully.

**7(a).** The price of a commodity increases from ₹ 10 to ₹ 14. Calculate percentage fall in quantity demanded of the commodity if coefficient of price elasticity of demand is (–) 1.25.

OR

**7(b).** State whether the following statements are true or false. Give valid reasons in support of your answer.

(a) The coefficient of price elasticity of demand for the commodity is inversely related to the number of alternative uses of the commodity.

(b) Luxury goods often have lower price elasticity of demand.

**8(a).** Discuss briefly the meaning of "Price discrimination" and "Product differentiation" with the help of suitable examples.

OR

**8(b).** Is a firm under perfect competition a price taker, or a price maker ? Justify your answer.

**9.** With the help of the given schedule, determine the firm's equilibrium using marginal revenue – marginal cost approach. Give valid reasons in support of your answer.

| Output (in units) | Total Revenue (TR) (in ₹) | Total Cost (TC) (in ₹) |
|---|---|---|
| 1 | 20 | 20 |
| 2 | 40 | 30 |
| 3 | 60 | 36 |
| 4 | 80 | 40 |
| 5 | 100 | 60 |
| 6 | 120 | 90 |

**10.** (a) Why is the short run Average Cost curve U-shaped ?

(b) Explain the relation among Total Cost (TC) curve, Total Variable Cost (TVC) curve and Total Fixed Cost (TFC) curve. Use diagram.

**10-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. 10(b) :

Explain the relation among Total Cost (TC), Total Variable Cost (TVC) and Total Fixed Cost (TFC).

**11.** (a) Identify the market form and explain the corresponding feature, as given in the following statement :

"The commodity in this market has attributes which are identical for sellers and buyers."

(b) Define Price Floor. State the likely consequence of this type of intervention by the government.

**12(a).** Suppose a consumer whose budget is ₹ 500, wants to consume only two goods, Good X and Good Y. The goods are respectively priced at ₹ 50 and ₹ 25.

Answer the following questions on the basis of the given information :

(a) State the budget equation of the consumer.

(b) What is the slope of the budget line ?

(c) How many units can she purchase if she spends the entire ₹ 500 on Good X ?

(d) How many units can she purchase if she spends the entire ₹ 500 on Good Y, given that the price of good Y has doubled ?

OR

**12(b).** "For a consumer to be in equilibrium position, marginal rate of substitution between the two goods must be equal to ratio of prices of the two goods." Do you agree with the given statement ? Justify your answer.

## Section B

**13.** State the role played by the central bank as the "lender of last resort".

**14.** Suppose you are a member of the "Advisory Committee to the Finance Minister of India". The Finance Minister is concerned about the rising Revenue Deficit in the budget.

Suggest any one measure to control the rising Revenue Deficit of the government.

**15(a).** State any two examples of non-tax revenue receipts of the government.

OR

**15(b).** Dividends received from Public Sector Undertakings (PSUs) are a part of the government's _____ . (Choose the correct alternative)

(A) Non-tax Revenue Receipts
(B) Tax Receipts
(C) Capital Receipts
(D) Capital Expenditure

**16.** Define "demand deposits".

**17(a).** The consumption function of an economy is : $C = 40 + 0.8\ Y$ (amount in ₹ crores). Determine that level of income where average propensity to consume will be one.

OR

**17(b).** Which of the two, average propensity to consume or average propensity to save, can be negative and why ?

**18.** Describe the adjustments that may take place in an economy when ex-ante savings are greater than ex-ante investments.

**19.** How is Real Gross Domestic Product (GDP) different from Nominal Gross Domestic Product (GDP) ? Explain using a numerical example.

**20(a).** Explain how the government can use the budgetary policy in reducing inequality of income in the economy.

OR

**20(b).** Discuss briefly the role of the government budget in influencing "allocation of resources" in the economy.

**21.** Discuss briefly the credit creation process of the banking system, using a hypothetical numerical example.

**22.** (a) Define 'value of output'. How is it different from 'value addition' ?

(b) Calculate the value of "Mixed Income of Self-Employed" from the following data :

| S. No. | Particulars | Amount (₹ in crores) |
|---|---|---|
| (i) | Compensation of Employees | 17,300 |
| (ii) | Interest | 1,200 |
| (iii) | Consumption of Fixed Capital | 1,100 |
| (iv) | Mixed Income of Self-Employed | ? |
| (v) | Subsidies | 750 |
| (vi) | Gross Domestic Product at Market Price | 27,500 |
| (vii) | Indirect Taxes | 2,100 |
| (viii) | Profits | 1,800 |
| (ix) | Rent | 2,000 |

**23(a).** State any two factors responsible for inflow of foreign currency.

State on which side of capital account/current account will the following transactions be recorded and why :

(i) Interest on loan received from Nepal

(ii) Import of mobile phones from China

OR

**23(b).** (a) Distinguish between Autonomous and Accommodating transactions of Balance of Payments account.

(b) Distinguish between depreciation of a currency and devaluation of a currency.

**24.** What is meant by the "Effective Demand Principle" in Keynesian theory of employment ? Discuss using a schedule or a diagram.

**- End of Question Paper -**