

**CBSE**  
**Class XII Economics**  
**All India Board Paper Set 1 – 2014**

**Time: 3 hrs**

**Max. Marks: 100**

Note:

- Please check that this question paper contains 12 printed pages.
- Code number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.
- Please check that this question paper contains 32 questions.
- **Please write down the Serial Number of the question before attempting it.**
- 15 minutes time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the students will read the question paper only and will not write any answer on the answer-book during this period.

**General Instructions:**

- (i) **All** questions in both the sections are compulsory.
- (ii) Marks for questions are indicated against each question.
- (iii) Questions Nos. **1 – 5** and **17 – 21** are very short-answer questions carrying **1** mark each. They are required to be answered in one sentence each.
- (iv) Questions Nos. **6 – 10** and **22 – 26** are short answer questions carrying **3** marks each. Answers to them should normally not exceed **60** words each.
- (v) Questions Nos. **11 – 13** and **27 – 29** are also short answer questions carrying **4** marks each. Answers to them should normally not exceed **70** words each.
- (vi) Question Nos. **14 – 16** and **30 – 32** 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. The government has started promoting foreign capital. What is its economic value in the context of Production Possibilities Frontier? [1]
2. Define indifference curve. [1]
3. Define marginal product. [1]
4. What is market supply of a product? [1]
5. What is imperfect oligopoly? [1]

6. Why is Production Possibilities Curve concave? Explain. [3]

7. When the price of a good falls from Rs 10 to Rs 8 per unit, its demand rises from 20 units to 24 units. What can you say about price elasticity of demand of the good through the 'expenditure approach'? [3]

8. Explain how technological progress is a determinant of supply of a good by a firm.

**OR**

Explain how input prices are a determinant of supply of a good by a firm. [3]

9. Why is Average Revenue always equal to price? [3]

10. Why is the number of firms small in oligopoly? Explain. [3]

11. A consumer consumes only two goods X and Y and is in equilibrium. Show that when the price of good X rises, the consumer buys less of good X. Use utility analysis. [4]

**OR**

Given the price of a good, how will a consumer decide as to how much quantity of that good to buy? Use utility analysis.

12. Give the meaning of "inferior" good and explain the same with the help of an example. [4]

13. Giving reasons, explain the 'Law of Variable Proportions'. [4]

14. Explain why is an indifference curve

- a. Downward sloping and
- b. Convex.

**OR**

Explain the concept of 'Marginal Rate of Substitution' with the help of a numerical example. Also explain its behaviour along an indifference curve. [6]

15. From the following information about a firm, find the firm's equilibrium output in terms of marginal cost and marginal revenue. Give reasons. Also find profit at this output. [6]

Output (units)	Total Revenue (Rs)	Total Cost (Rs)
1	6	7
2	12	13
3	18	17
4	24	23
5	30	31

16. Market of a commodity is in equilibrium. Demand for the commodity 'decreases'. Explain the chain of effects of this change till the market again reaches equilibrium. Use diagram. [6]

**SECTION B**

17. What are time deposits? [1]
18. Define inflationary gap. [1]
19. What is full employment? [1]
20. Define fiscal deficit. [1]
21. Define foreign exchange rate. [1]
22. What are externalities? Give an example of a positive externality and its impact on welfare of the people. [3]
23. Explain the significance of the 'Unit of Account' function of money. [3]

**OR**

Explain the significance of the 'Standard of Deferred Payment' function of money.

24. Is the following a revenue receipt or a capital receipt in the context of government budget and why? [3]
- i. Tax receipts
  - ii. Disinvestment
25. Distinguish between 'autonomous' and 'accommodating' Balance of Payments transactions. [3]
26. Foreign exchange rate in India is on the rise recently. What impact is it likely to have on exports and how? [3]
27. Explain 'Banker to the Government' function of the central bank. [4]

**OR**

Explain 'Bankers' Bank' function of the central bank.

28. Calculate Marginal Propensity to Consume from the following data about an economy  
Which is equilibrium: [4]  
National income = 2000

Autonomous Consumption expenditure = 200

Investment expenditure = 100

**29.** Tax rates on higher income group have been increased. Which economic value does it reflect? Explain. [4]

**30.** Calculate 'Net National Product at Factor Cost' and 'Gross National Disposable Income' from the following: [6]

	(Rs in Arab)
i. Social security contributions by employees	90
ii. Wages and salaries	800
iii. Net current transfers to abroad	(-)30
iv. Rent and royalty	300
v. Net factor income to abroad	50
vi. Social security contributions by employers	100
vii. Profit	500
viii. Interest	400
ix. Consumption of fixed capital	200
x. Net indirect tax	250

**31.** How should the following be treated in estimating national income of a country? You must give reason for your answer. [6]

- i. Taking care of aged parents
- ii. Payment of corporate tax
- iii. Expenditure on providing police services by the government

**32.** When is an economy in equilibrium? Explain with the help of Saving and Investment functions. Also explain the changes that take place in an economy when the economy is not in equilibrium. Use diagram. [6]

**OR**

Outline the steps required to be taken in deriving the Consumption Curve from the given Saving Curve. Use diagram.