

CBSE
Class XII Economics
All India Board Paper Set 1 - 2015

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 29 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 No. **1 - 3** and **15 - 19** are very short-answer questions carrying **1** mark each. They are required to be answered in one sentence each.
- (iv) Questions No. **4 - 8** and **20 - 22** are short answer questions carrying **3** marks each. Answers to them should normally not exceed **60** words each.
- (v) Questions No. **9- 10** and **23- 25** are also short answer questions carrying **4** marks each. Answers to them should normally not exceed **70** words each.
- (vi) Question number **11 - 14** and **26 - 29** 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. Define indifference curve. [1]
2. If due to fall in the price of good X, demand for good Y rises, the two goods are : (Choose the correct alternative) [1]
 - a. Substitutes
 - b. Complements
 - c. Not related
 - d. Competitive
3. If Marginal Rate of Substitution is increasing throughout, the Indifference Curve will be:

- (Choose the correct alternative) [1]
- Downward sloping convex
 - Downward sloping concave
 - Downward sloping straight line
 - Upward sloping convex

4. Giving reason comment on the shape of Production Possibilities curve based on the following schedule : [3]

Good X (units)	Good Y (units)
0	30
1	27
2	21
3	12
4	0

5. What is likely to be the impact of "Make in India" appeal to the foreign investors by the Prime Minister of India, on the production possibilities frontier of India? Explain. [3]

OR

What is likely to be the impact of efforts towards reducing unemployment on the production potential of the economy? Explain.

6. Explain the significance of 'minus sign' attached to the measure of price elasticity of demand in case of a normal good, as compared to the 'plus sign' attached to the measure of price elasticity of supply. [3]
7. In a perfectly competitive market the buyers treat products of all the firms as homogeneous. Explain the significance of this feature. [3]
8. What are the effects of 'price-floor' (minimum price ceiling) on the market of a good? Use diagram. [3]
9. A consumer spends Rs 1,000 on a good priced at Rs10 per unit. When its price falls by 20 percent, the consumer spends Rs800 on the good. Calculate the price elasticity of demand by the Percentage method. [4]
10. What is the behaviour of (a) Average Fixed Cost and (b) Average Variable Cost as more and more units of a good are produced? [4]

OR

Define Average Revenue. Show that Average Revenue and Price are same.

- 11.** A consumer consumes only two goods X and Y, both priced at Rs 2 per unit. If the consumer chooses a combination of the two goods with Marginal Rate of Substitution equal to 2, is the consumer in equilibrium? Why or why not? What will a rational consumer do in this situation? Explain. [6]

OR

A consumer consumes only two goods X and Y whose prices are Rs 5 and Rs 4 respectively. If the consumer chooses a combination of the two goods with marginal utility of X equal to 4 and that of Y equal to 5, is the consumer in equilibrium? Why or why not? What will a rational consumer do in this situation? Use utility analysis.

- 12.** What are the different phases in the Law of Variable Proportions in terms of marginal product? Give reason behind each phase. Use diagram. [6]
- 13.** Explain why will a producer not be in equilibrium if the conditions of equilibrium are not met. [6]
- 14.** Market for a good is in equilibrium. The supply of good "decreases". Explain the chain of effects of this change. [6]

SECTION B

- 15.** What is 'aggregate demand' in macroeconomics? [1]
- 16.** If $MPC = 1$, the value of multiplier is: (Choose the correct alternative) [1]
- a. 0
 - b. 1
 - c. Between 0 and 1
 - d. Infinity
- 17.** Primary deficit in a government budget is : (Choose the correct alternative) [1]
- a. Revenue expenditure - Revenue receipts
 - b. Total expenditure - Total receipts
 - c. Revenue deficit - Interest payments
 - d. Fiscal deficit - Interest payments
- 18.** Direct tax is called direct because it is collected directly from : (Choose the correct alternative) [1]
- a. The producers on goods produced

- b. The sellers on goods sold
- c. The buyers of goods
- d. The income earners

19. Other things remaining the same, when in a country the market price of foreign currency falls, national income is likely (Choose the correct alternative) [1]
- a. to rise
 - b. to fall
 - c. to rise or to fall
 - d. to remain unaffected

20. If the Real GDP is Rs400 and Nominal GDP is Rs450, calculate the Price Index (base = 100). [3]

21. What are fixed and flexible exchange rates? [3]

OR

Explain the meaning of Managed Floating Exchange Rate.

22. Where is 'borrowings from abroad' recorded in the Balance of Payments Accounts? Give reasons. [3]

23. Explain the "Bankers' Bank function" of the central bank. [4]

OR

Explain the "Bank of Issue function" of the central bank.

24. Currency is issued by the central bank, yet we say that commercial banks create money. Explain. How is this money creation by commercial banks likely to affect the national income? Explain [4]

25. An economy is in equilibrium. Calculate the Investment Expenditure from the following: [4]
- National Income = 800
 Marginal propensity to save = 0.3
 Autonomous Consumption = 100

26. Giving reason explain how the following should be treated in estimation of national income: [6]

- i. Payment of interest by a firm to a bank
- ii. Payment of interest by a bank to an individual
- iii. Payment of interest by an individual to a bank

27. What is 'deficient demand'? Explain the role of 'Bank Rate' in removing it. [6]

OR

What is 'excess demand'? Explain the role of 'Reverse Repo Rate' in removing it.

28. Explain how the government can use the budgetary policy in reducing inequalities in incomes. [6]

29. Calculate the 'National Income' and 'Private Income' : [6]

		(Rs crores)
i.	Rent	200
ii.	Net factor income to abroad	10
iii.	National debt interest	15
iv.	Wages and salaries	700
v.	Current transfers from government	10
vi.	Undistributed profits	20
vii.	Corporation tax	30
viii.	Interest	150
ix.	Social security contributions by employers	100
x.	Net domestic product accruing to government	250
xi.	Net current transfers to rest of the world	5
xii.	Dividends	50