

**CBSE Question Paper 2018**  
**Class 12 Economics**

**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. State one example of positive economics.
2. Define fixed cost.
3. When the Average Product (AP) is maximum, the Marginal Product (MP) is: (Choose the correct alternative)
  - a. Equal to AP
  - b. Less than AP
  - c. More than AP
  - d. Can be any one of the above
4. When the total fixed cost of producing 100 units is ₹ 30 and the average variable cost ₹ 3, total cost is : (Choose the correct alternative)
  1. ₹ 3

2. ₹ 30
3. ₹ 270
4. ₹ 330
5. Explain the central problem of “for whom to produce”.

OR

Explain the central problem of “choice of technique”.

6. What is meant by inelastic demand? Compare it with perfectly inelastic demand.
7. Given the price of a good, how will a consumer decide as to how much quantity to buy of that good? Explain.

OR

What is Indifference Curve? State three properties of indifference curves.

8. When the price of a commodity changes from ₹ 4 per unit to ₹ 5 per unit, its market supply rises from 100 units to 120 units. Calculate the price elasticity of supply. Is supply elastic? Give reason.
9. What is meant by price ceiling? Explain its implications.
10. Explain the conditions of consumer's equilibrium using Indifference Curve Analysis.
11. Explain the conditions of producer's equilibrium in terms of marginal revenue and marginal cost.
12. State three characteristics of monopolistic competition. Which of the characteristics separates it from perfect competition and why?

OR

Explain the implications of the following:

- a. Freedom of entry and exit of firms under perfect competition
- b. Non-price competition under oligopoly

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## **SECTION-B**

13. Which of the following affects national income? (Choose the correct alternative)

- A. Goods and Services tax
- B. Corporation tax
- C. Subsidies
- D. None of the above

14. Define money supply.

15. The central bank can increase availability of credit by : (Choose the correct alternative)

- A. Raising repo rate
- B. Raising reverse repo rate
- C. Buying government securities
- D. Selling government securities

16. Why does consumption curve not start from the origin?

17. Which among the following are final goods and which are intermediate goods? Give reasons.

- a. Milk purchased by a tea stall
- b. Bus purchased by a school
- c. Juice purchased by a student from the school canteen

OR

Given nominal income, how can we find real income ? Explain.

18. Define multiplier. What is the relation between marginal propensity to consume and multiplier? Calculate the marginal propensity to consume if the value of multiplier is 4.

19. Explain the role of the Reserve Bank of India as the “lender of last resort”.

20. What is meant by inflationary gap? State three measures to reduce this gap.

OR

What is meant by aggregate demand? State its components.

21. The value of marginal propensity to consume is 0.6 and initial income in the economy is ₹ 100 crores. Prepare a schedule showing Income, Consumption and Saving. Also show the equilibrium level of income by assuming autonomous investment of ₹ 80 crores.

22. Explain the meaning of the following :

- a. Revenue deficit
- b. Fiscal deficit
- c. Primary deficit

OR

Explain the following objectives of government budget:

- a. Allocation of resources
- b. Reducing income inequalities

23. a. Explain the impact of rise in exchange rate on national income.  
 b. Explain the concept of 'deficit' in balance of payments

24. Calculate (a) Net National Product at market price, and (b) Gross Domestic Product at factor cost:(₹ in crores)

	₹ (in crores)
Rent and interest	6,000
Wages and salaries	1,800
Undistributed profit	400
Net indirect taxes	100
Subsidies	20
Corporation tax	120
Net factor income to abroad	70
Dividends	80
Consumption of fixed capital	50
Social security contribution by employers	200
Mixed income	1,000