

केन्द्रीय माध्यमिक शिक्षा बोर्ड, दिल्ली
सीनियर स्कूल सर्टिफिकेट परीक्षा (कक्षा बारहवीं)
परीक्षार्थी प्रवेश-पत्र के अनुसार भरे

विषय Subject : ECONOMICS

परीक्षा का दिन एवं तिथि

Day & Date of the Examination : Wednesday, 21 March 2012

उत्तर देने का माध्यम

Medium of answering the paper : English

प्रश्न पत्र के ऊपर लिखे कोड को दर्शाए
Write Code No. as written on the top
of the Question paper :

58/1

अतिरिक्त उत्तर-पुस्तिका (ओं) की संख्या
No. of supplementary answer -book(s) used

NIL

किसी शारीरिक अक्षमता से प्रभावित हो तो संबंधित वर्ग में ✓ का निशान लगाएँ।

If physically challenged, tick the category

B D H S C

B = मूच्छिन्न, D = मूक एवं बधिर, H = शारीरिक रूप से विकलांग, S = स्फस्टिक, C = डिस्लेक्सिक
B= Blind, D=Deaf & Dumb, H=Physically Handicapped, S=Spastic, C=Dyslexic

क्या लेखन -- लिपिक उपलब्ध करवाया गया : हाँ / नहीं

Whether writer provided :

Yes / No

No

*एक खाने में एक अक्षर लिखें। नाम के प्रत्येक भाग के बीच एक खाना रिक्त छोड़ दें। यदि परीक्षार्थी का नाम 24 अक्षरों से अधिक है, तो केवल नाम के प्रथम 24 अक्षर ही लिखें।

Each letter be written in one box and one box be left blank between each part of the name. In case Candidate's Name exceeds 24 letters, write first 24 letters.

कार्यालय उपयोग के लिए
Space for office use

1970

1970

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सीनियर स्कूल सर्टिफिकेट परीक्षा (कक्षा बारहवीं)
 SENIOR SCHOOL CERTIFICATE EXAMINATION (CLASS XII) CENTRAL BOARD OF SECONDARY EDUCATION, DELHI



प्रमाणित किया जाता है कि मैंने/हमने इस उत्तर-पुस्तिका का मूल्यांकन प्रश्न पत्र के समुचित सेट के अनुसार और पूर्ण रूप से मूल्यांकन पद्धति के अनुसार किया है।

Certified that I/we have evaluated this answer book according to the correct set of question paper and strictly as per the marking scheme.

	संख्या No.	हस्ताक्षर Signature
परीक्षक Examiner	1814	<i>[Signature]</i>
समन्वयकर्ता Co-ordinator	13539/1	<i>[Signature]</i>
मुख्य परीक्षक (यदि जाँच की हो) Head Examiner (if checked)	13539	<i>[Signature]</i>

Q.No.	Marks	Q.No.	Marks
01	1	21	1
02	1	22	3
03	1	23	3
04	1	24	3
05	1	25	3
06	3	26	3
07	3	27	4
08	3	28	4
09	2	29	4
10	3	30	6
11	4	31	6
12	4	32	6
13	4	33	
14	6	34	
15	6	35	
16	6	36	
17	1	37	
18	1	38	
19	1	39	
20	1	40	
TOTAL Marks Q. No. 1-20	54	TOTAL Marks Q. No. 21-40	46

+

Grand Total Q.No. 1-40
in figures =

1	0	0
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Total of Marks in words 100

Section - A

1. Microeconomics is the study of individual economic units like individual households and firms.
2. Change in price of related goods (substitute goods and complementary goods) leads to a shift in the demand curve.
3. As output increases, Total Variable Cost (TVC) first increases at a decreasing rate and then at an increasing rate.
4. Marginal Revenue = Average Revenue ($AR = MR$) in a market in which a firm can sell any quantity of output at a given price.
MR is constant throughout at all levels of output and MR curve is parallel to X-axis.

5. A firm which can influence the price of its commodity to a large extent is said to be a price maker firm.

6. Production Possibilities Curve (PPC) is a curve which depicts all possible combinations of two goods that an economy can produce with full and efficient use of given resources and given technology.

PPC is downward sloping from left to right because of increasing Marginal Rate of transformation (MRT).

MRT is the rate at which some quantity of one good has to be sacrificed to obtain an additional unit of the other good.

PPC is downward sloping because to obtain an additional unit of one good, the economy has to sacrifice some units of the other good. Further, this rate of sacrifice increases as we go on increasing the output of one good.

Thus, PPC is negatively sloped.

The rate of sacrifice increases as all resources are not equally efficient in production of all goods.

7. A consumer is in equilibrium when he consumes two goods X and Y when

$$\frac{MU_x}{P_x} = \frac{MU_y}{P_y} = \text{MU of last rupee spent on each good}$$

Here, $\frac{MU_x}{P_x}$ and $\frac{MU_y}{P_y}$ is the marginal utility to price ratio of good X and Y. In equilibrium, the last rupee spent on each good is the same.

When price of X falls, $\frac{MU_x}{P_x}$ becomes greater than $\frac{MU_y}{P_y}$ that is,

$$\frac{MU_x}{P_x} > \frac{MU_y}{P_y}$$

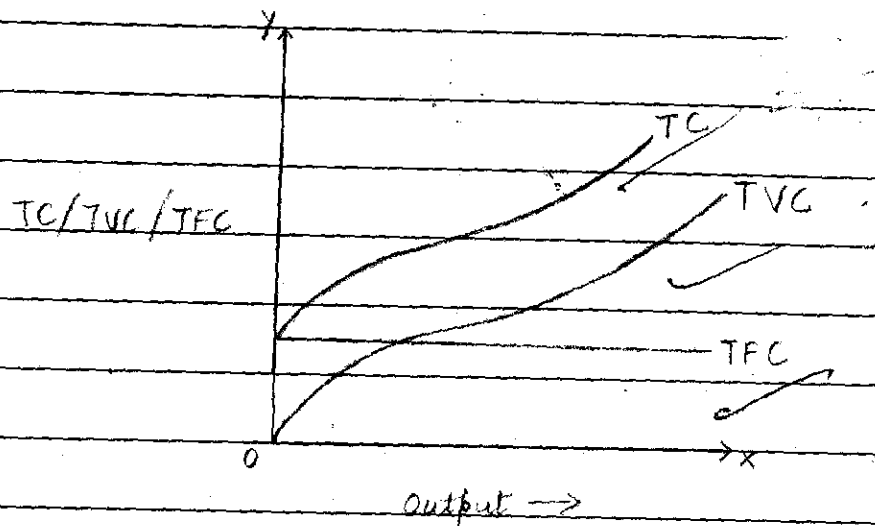
This implies that the consumer will prefer more of X than Y since he is getting more utility from X than Y. As a result, he will be induced to transfer his expenditure from Y on to X. This leads to a rise in consumption of X and fall in consumption of Y.

Further, according to the law of diminishing marginal utility

MU of X will fall and that of Y will rise. This act of transfer will continue till $\frac{MU_x}{P_x} = \frac{MU_y}{P_y}$ and the consumer attains equilibrium.

If he goes beyond this stage as that would mean that he gets disutility rather than utility. So he will not go beyond this stage.

8.



TFC (Total fixed cost)
 TFC (Total cost) is constant throughout since it cannot be varied in the short run with change in output
 TVC (Total Variable Cost) first increases at a decreasing rate and then at an increasing rate and is nil at zero level of output and so does TC.

Total Cost and Total Fixed Cost begin somewhere above the origin because fixed costs exist even at zero level of output.

9.

~~Implicit cost is the cost of hiring labour.~~

~~Explicit cost~~

Implicit cost is the cost of the producer having started business with his own savings.

Explicit cost is the cost of hiring labour in the given example.

Implicit cost is the estimated value of inputs supplied by the owner of the production unit. The firm makes no payment to its owners for the self-employed inputs of production.

Explicit cost is the actual expenditure incurred by a firm on hire and purchase of factors of production and other inputs.

The firm makes payment to outsiders for the services rendered or goods supplied in the form of wages to labourers, rent

for the building or land or payment for raw materials purchased. This constitutes the explicit cost.

10. In a perfectly competitive market there are a large number of sellers. A single seller supplies a very small or negligible portion of the total market supply. Hence a single seller has little or no influence in fixing the price of his products. A firm in this market becomes a price-taker since it has to accept the price determined by the industry and can sell any quantity of output at the fixed price.

As such the implication of a large no. of sellers is that a firm becomes a price-taker and uniform price prevails in the market.

12.

	(₹) P	(Units) QD	Expenditure (₹)
(P ₁)	10	10 (q ₁)	100
(P ₂)	10	20 (q ₂)	200

$$\Delta P = P_2 - P_1$$

$$\Delta P = 0$$

$$\Delta Q = q_2 - q_1$$

$$\Delta Q = 10$$

$$P = P_1 = ₹ = 10$$

$$Q = q_1 = 10$$

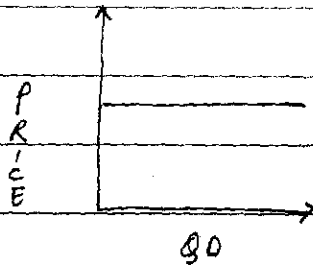
$$e_d = \frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$$

$$= \frac{10}{0} \times \frac{10}{10}$$

$$e_d = \infty$$

Elasticity of demand is infinite. Demand is infinitely elastic.

The demand curve will be a horizontal straight line parallel to X-axis.



11. Indifference map is the set of all indifference curves that a consumer can have with his given income.

An indifference curve to the right or a higher indifference curve shows a higher utility level as it depicts a combination of two goods with more quantities of the two goods.

This is so because preferences of the consumer are assumed to be monotonic. Monotonic preferences mean that as consumption increases, utility increases along with.

As such when we go from left to right along an indifference curve it is a combination having greater quantities of both goods and a higher utility level.

13. Change in price of inputs affect the supply of a product.

Increase in the price of inputs

An increase in the price of inputs leads to an increase in the cost of production. As such the production of that commodity will become less profitable.

As such, the producer will reduce the supply of such a commodity.

The supply curve of this commodity will shift to the left.

Fall in price of inputs

A fall in price of inputs reduces the cost of production.

This makes production of that specific commodity more profitable. Hence, the producer will seek to increase the supply of such a commodity.

The supply curve of this commodity will shift to the right.

14.

Inferior goods

Such goods whose demand falls with increase in income are called inferior goods.

There exists ~~an~~ inverse relation between their demand and the income of the consumer.

Their income effect is negative.

E.g. Demand for toned milk inferior good falls with rise in income of consumer.

Normal goods

Such goods whose demand rises with a rise in income of the consumer are called normal goods.

There exists direct relation between their demand and the income of consumer.

Their income effect is positive.

E.g. Demand for full cream milk rises with an increase in income of consumer.

Cardinal utility

This is utility expressed in exact units. (or utils)

This is helpful in determining equilibrium in one-commodity case.

In such a case, satisfaction is quantified and measured.

Eg Consumption of good X gives the consumer 5 utils of utility. when he consumes 5 units of X.

Here 1 rupee can be taken equivalent to 1 util of utility obtained.

Ordinal utility

This utility is expressed in terms of ranking, like first, second.

It is helpful in determining equilibrium using indifference curve analysis.

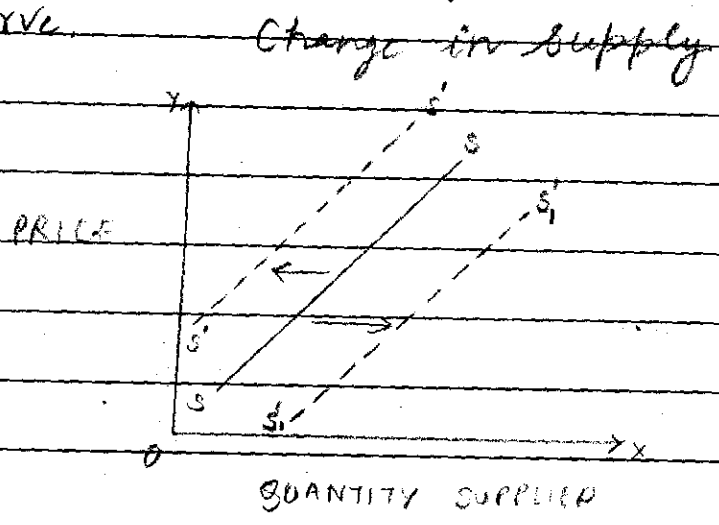
Satisfaction is not quantified but measured in order of preference.

E.g. If a consumer ranks the utility obtained from consumption of good X and Y as 1 & rank 1 for X and rank 2 for Y.

Good	Rank
X	1
Y	2

15. Change in supply -

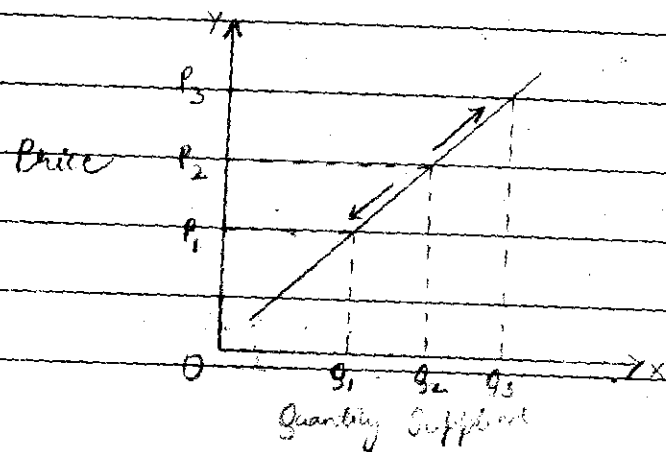
- This occurs due to factors other than own price of the commodity.
- Change in supply means a variation in the quantity of a commodity supplied due to other factors like change in price of inputs or change in technology.
- A change in supply causes a shift in the supply curve of the commodity.
- An increase in supply causes the supply curve to shift rightwards ($S_1 S_2$)
- A decrease in supply causes a leftward shift in supply ($S_1 S_2$) curve.



Change in supply	
P	85
10	50
10	70
(Factors other than price of good)	

Change in quantity supplied

- It means a variation in the quantity of a commodity supplied by the producer due to change in own price of the commodity.
- A fall in price of the commodity makes it less profitable for the seller to produce and hence its supply contracts.
Fall in price causes contraction of supply.
- Rise in price causes expansion of supply.
- The supply curve is not affected and there is no shift.



(↗) Upward arrow means expansion

(↘) means contraction

Change in qty. supplied.

P 30

10 40

20 60

There is movement along the supply curve.

A rise in price from P_2 to P_3 leads to expansion in quantity supplied from Q_2 to Q_3 .

18.

(i) When market price is higher than equilibrium price.

In such a situation, there exists excess supply in the market.

- Sellers will compete with each other to sell their product leading to a fall in price of the commodity.
- When price falls, demand will expand (Law of Demand) and consumers will demand more.

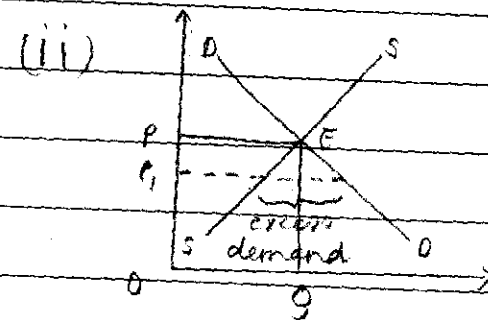
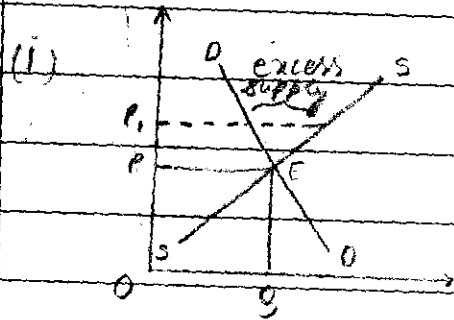
But with a fall in price, sellers will reduce their output and supply will contract (Law of Supply) because sellers are not getting higher profit.

- This expansion and contraction of demand and supply will continue till equilibrium is restored and equilibrium price is same as market price.

16. (ii)

When market price is lower than equilibrium price

- In such a situation there exists excess demand in the market.
- Now, buyers will compete with each other to buy the commodity at the reduced price which leads to a rise in the price of the commodity.
- This rise in price leads to contraction in demand (law of demand) and a expansion in supply (law of supply) since at a higher price sellers are getting higher profits.
- This process continues till equilibrium is restored in the market and market price becomes equal to equilibrium price.



Section - B

17. Flow variable is such a variable whose magnitude is measured over a period of time. ✓
18. Consumption goods are those that are meant for consumption by household. They are a part of final goods. ✓
19. Time deposits are those deposits which are repayable after a fixed period of time. ✓
E.g. Fixed Deposits ✓
20. A tax whose liability to pay and incidence lie on the same person is called a direct tax. ✓
The burden of such a tax cannot be shifted.
E.g. Income tax

21. Fixed exchange rate is the rate of domestic currency which has been fixed in terms of gold or another foreign currency by the government.

22.
$$\text{NVA at MP} = \overset{\text{Sales}}{\text{Output Sold}} + \text{Change in Stock} - \text{Intermediate Cost} - \text{Depreciation}$$

$$= (900 \times 40) + (1000 - 800) - 20,000 - 700$$

$$= 36000 + 200 - 20,000 - 700$$

$$\boxed{\text{NVA at MP} = ₹ 15,500}$$

(Output Sold = X Price per unit of output of Sales)

$$30(i) \quad GDP_{MP} = \text{Pvt. final con. Expend.} + \text{Govt. final con. expend.} + \text{Gross Domestic fixed Capital formation} + \text{Change in stock} + \text{Net exports}$$

$$= 1000 + 300 + (110 + 100) + (20 - 20) + 15$$

$$GDP_{MP} = ₹ 1525 \text{ crores}$$

$$\begin{aligned} GNP_{MP} &= GDP_{MP} + \text{Net Factor Income from abroad (NFIA)} \\ &= GDP_{MP} - \text{Net factor income to abroad (1525 - (-10))} \\ &= 1525 + 10 \end{aligned}$$

$$GNP_{MP} = ₹ 1535 \text{ crores} \quad \text{Ans}$$

$$(ii) \quad NNOI = NNP_{MP} + \text{Net current transfers from abroad}$$

or

$$NNOI = NNP_{MP} - \text{Net Current transfers to abroad}$$

$$1500 = GNP_{MP} - \text{Pepr.} - \text{Net Current transfer to abroad}$$

$$1500 = 1535 - 100 - \text{Net Current transfer to abroad}$$

$$\text{Net current transfer to abroad} = ₹ 135 \text{ crores} \quad \text{Ans}$$

1600
1535
65

32.

foreign exchange refers to any foreign currency, other than the domestic currency.

Foreign exchange rate is the rate at which the currency of one country can be exchanged for the currency of another country.

There is an inverse relation between the foreign exchange rate and the demand for it.

When the foreign exchange rate falls, demand increases. On the other hand, when foreign exchange rate increases, the demand for it falls.

- When price of foreign exchange falls, demand increases because the foreign currency has now become cheaper to the domestic currency. As a result, 1 dollar (foreign currency) can be exchanged for lesser rupees (domestic currency).
- Since, now with the same amount of rupees people can buy more dollars, their demand is bound to rise.

- Thus, imports will become cheaper and their volume may rise.
- Also tourism to that foreign country will increase.
It will become cheaper to undertake foreign tours and investments

When price of foreign exchange rises, the domestic currency becomes cheaper to foreigners. Thus, now 1 dollar can be exchanged for more rupees

- Thus, exports may increase and so will tourism to the domestic country.
- The rise in price makes foreign exchange expensive for domestic residents, leading to a fall in imports and tourism abroad.

Thus, an inverse relation between price and demand of foreign exchange.

31. Inflationary gap is the difference between aggregate demand and aggregate supply at full employment level of output. (excess of aggregate demand over aggregate supply)
- Thus, there exists excess aggregate demand in the economy when all the resources are fully employed.
- Since all resources are efficiently and fully employed, the excess demand will cause inflation or a rise in prices in the economy.
- As such the gap is called inflationary gap.

Legal reserves is the minimum proportion of demand deposits that commercial banks are required to keep in the form of cash or other liquid assets as specified.

If the central bank raises the Legal Reserve Ratio (LRR) the banks will be required to place a larger amt. of deposits as reserves. This will lead to a fall in the volume of credit given by banks. Since the firms and individuals will not be able to get the required amount they will reduce their investment and consumption expenditure leading to a fall in income and output. Thus, the excess demand (AD) will be wiped off.

29. ✓ Fiscal deficit is the excess of total expenditure of the government over total receipts excluding borrowings.

$$\text{Fiscal deficit} = \text{Total expenditure} - \text{Total receipts (excluding borrowings)}$$

OR

$$\text{Fiscal deficit} = \text{Total expenditure} - \text{Revenue receipts} - \text{Non-debt capital receipts}$$

Fiscal deficit indicates the borrowing requirements of the government.

It is the same as the amount of borrowings that the government will be required to make to meet its expenses.

28. The central bank (RBI) acts as a banker to the central and state governments.

- It keeps the cash reserves and other deposits of the government with it.
- It is authorized to make payments on behalf of the central government to any other government.
- It lends to the government in case it needs to do so. This process is called deficit financing.

When the government wants to raise a loan from the central bank, it issues it Treasury Bills of the specified amount. The bank in turn, prints currency notes and gives it to the govt. who spends the amount and as such brings them into circulation.

27. (i) Purchase of furniture by a firm will be treated as final expenditure if it is meant for investment purpose.

It will be treated as intermediate expenditure if the purchase of furniture is for resale or for use within the same year.

(ii) Expenditure on maintenance by a firm is its intermediate expenditure since it is a mandatory cost to the firm that is necessary to maintain its production capacity.

26. The government budget aims at bringing economic stability. This is done through stabilisation of the general price level, that is minimising fluctuations in the price level. This is achieved through —

- (a) taxes
- (b) subsidies
- (c) expenditure

In inflationary times, when prices are rising, the government tries to reduce aggregate demand by reducing expenditure on public works.

It further reduces expenditure on subsidies and raises taxes to withdraw the excess disposable income of the people and thus minimising aggregate demand.

Similarly in deflationary times, the government seeks to raise the level of aggregate demand through increasing expenditure and subsidies and reducing taxes.

25.

$$C = \bar{C} + bY$$

C = Con. expenditure

\bar{C} = Autonomous cons.

b = MPC

Y = National Income

$$\begin{aligned} C &= 1000 + (0.80) 5000 \\ &= 1000 + 4000 \end{aligned}$$

$$C = ₹ 5000$$

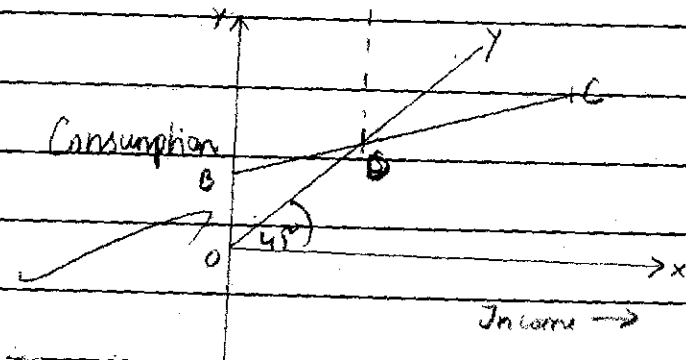
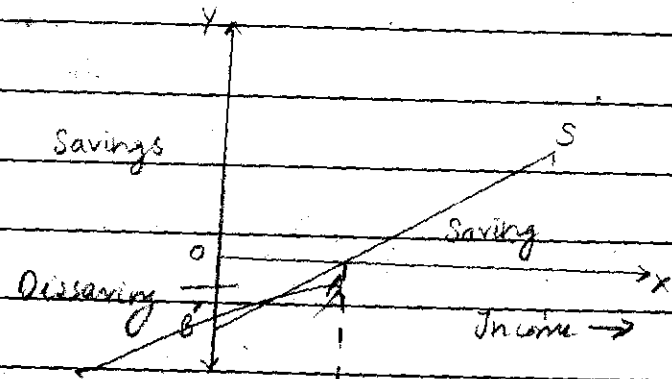
24. S is the savings curve.

At pt. A savings are zero, which implies that consumption is equal to income.

Thus, we can extend the line from A which will touch the 45° line at the point where consumption is equal to income. ($C=Y$)

Equivalent to OB' we can place the distance OB on the Y -axis of consumption curve, which indicates autonomous consumption.

Joining B and the pt. of intersection D , we get the consumption curve.



23. Money performs the function of a standard of deferred payment.

It facilitates future contracts involving repayment of money. It makes borrowing and lending easier since the person can make repayment in money at a future date of the specified amount.

Exchange of money does not involve the risk of loss in value or corrosion that exists when using commodity.

