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Q. 12. Explain how rise in income of a consumer affects the demand of a good. Give examples. *4 marks*

Q. 13. Define marginal cost. Explain its relation with average cost. *4 marks*

OR

Define variable cost. Explain the behaviour of total variable cost as output increases.

Q. 14. What is producer's equilibrium? Explain the conditions of producer's equilibrium through the 'marginal cost and marginal revenue' approach. use diagram. *6 marks*

Q. 15. Explain the conditions of consumer's equilibrium with the help of the indifference Curve Analysis. *6 marks*

Q. 16. Market for a goods is in equilibrium. There is 'increase' in supply of the goods. Explain the chain of effect of this change. Use diagram. *6 marks*

OR

Explain the effect of the following on the market demand of a commodity:

- (i) Change in price of related goods.
- (ii) Change in the number of its buyers.

SECTION – B

Q. 17. What are stock variables? *1 mark*

Q. 18. Define 'depreciation'. *1 mark*

Q.19. Define 'Statutory Liquidity Ratio'. *1 mark*

Q.20. Define money. *1 mark*

Q.21. What is foreign exchange? *1 mark*

Q. 22. Which transactions determine the balance of trade? When is balance of trade in surplus? *3 marks*

Q. 23. Explain how 'non-monetary exchanges 'are a limitation in taking gross domestic product as an index of welfare. *3 marks*

Q. 24. In an economy, the marginal propensity to consume is 0.75. Investment expenditure in the economy increases by Rs 75 crore. Calculate the total increase in national income. *3 marks*

Q. 25. Explain the distinction between voluntary and involuntary unemployment. *3 marks*

26. When price of a foreign currency falls, the demand for that foreign currency rises.

Explain, why. 3 marks

OR

When price of a foreign currency falls, the supply, that foreign currency also falls.

Explain, why.

Q. 27. Explain the 'redistribution of income' objective of a government budget. 4 marks

OR

Explain the 'economy stability' objective of a government budget.

Q.28. From the following data about a government budget find (a) revenue deficit, (b) fiscal deficit and (c) primary deficit: 4 marks

	(Rs Arab)
(i) Tax revenue	47
(ii) Capital receipts	34
(iii) Non-tax revenue	10
(iv) Borrowings	32
(v) Revenue expenditure	80
(vi) Interest payments	20

Q.29. Giving reasons, explain the treatment assigned to the following while estimating

National income: 4 marks

(i) Family members working free on the farm owned by the family'

(ii) Payment of interest on borrowings by general government'

Q. 30. Explain the role of the following in correcting the inflationary gap in an economy: 6

(i) Legal reserves (ii) Bank rate 6 marks

OR

Explain the role of the following in correcting the deflationary gap in an economy

(i) Open market operations.

(ii) Margin requirements.

Q. 31. Explain the following functions of the central bank: 6 marks

(i) Bank of issue, (ii) Bankers 'bank

Q. 32. Calculate (a) 'Net Domestic Product at Factor Cost' and (b) 'Private income, from the following: 6 marks

	(Rs in crores)
(i) Domestic product accruing to government	300
(ii) Wages and salaries	1,000
(iii) Net current transfers to abroad	(-) 20
(iv) Rent	100

(v) Interest paid by the production units	130
(vi) National debt interest	30
(vii) Corporation tax	50
(viii) Current transfers by government	40
(ix) Contribution to social security schemes by employers	200
(x) Dividends	100
(xi) Undistributed profits	20
(xii) Net factor income to abroad	0



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