

## ECONOMICS CLASS XII

Time Allowed: 3 hours

Maximum Marks: 80

## General Instructions:

1. This question paper contains two sections:

Section A – Macro Economics

Section B – Indian Economic Development

2. This paper contains 20 Multiple Choice Questions type questions of 1 mark each.

3. This paper contains 4 Short Answer Questions type questions of 3 marks each to be answered in 60 to 80 words.

4. This paper contains 6 Short Answer Questions type questions of 4 marks each to be answered in 80 to 100 words.

5. This paper contains 4 Long Answer Questions type questions of 6 marks each to be answered in 100 to 150 words

## SECTION A-MACRO ECONOMICS

1. Which of the following is not a flow variable? [1]
  - a. Income
  - b. Capital formation
  - c. Supply of money in a country
  - d. Leakage of water from the overhead tank

a) Only B b) Only A  
c) Only C d) Both B and D
2. Which of the following is an example of an intermediate goods? [1]
  - a) All of these b) Copper purchased for making utensils
  - c) Fertilizers purchased by a farmer d) Steel and cement used to construct a flyover
3.  $GNP = \underline{\hspace{2cm}} + \text{Net Factor Income from Abroad (NFIA)}$  [1]
  - a) NDP b) GDP
  - c) Net Income d) PDI
4. Why are exports included in the estimation of domestic product by the expenditure method? [1]
  - a) Because it was sold b) Because the export goods are produced in the domestic territory
  - c) Because it has to be produced d) Because payments are made against it
5. **Assertion (A):** Banks serve as an important agent of investment. [1]  
**Reason (R):** In the absence of a banking system bulk of savings would have failed to reach the shareholders.
  - a) Both A and R are true and R is the correct explanation of A. b) Both A and R are true but R is not the correct explanation of A.

- c) A is true but R is false. d) A is false but R is true.
6. Statement 1 : Central Bank acts as a banker to the government. [1]  
Statement 2 : As a banker to the government, it buys and sells securities on behalf of the government.
- a) Both Statement 1 & 2 are true b) Both statement 1 & 2 are false  
c) Statement 1 is true and 2 is false d) Statement 1 is false and 2 is true
7. **Assertion (A):** The central bank does not provide a **Clearing House** facility to the commercial banks. [1]  
**Reason (R):** It is a cheque clearing facility provided at one center to all the banks.
- a) Both A and R are true and R is the correct explanation of A. b) Both A and R are true but R is not the correct explanation of A.  
c) A is true but R is false. d) A is false but R is true.
8. **Assertion (A):** Higher-income group has a lower propensity to consume as compared to the lower-income group. [1]  
**Reason (R):** Consumption expenditure can never be zero as minimum expenditure to be incurred for survival even at zero levels of income.
- a) Both A and R are true and R is the correct explanation of A. b) Both A and R are true but R is not the correct explanation of A.  
c) A is true but R is false. d) A is false but R is true.
9. Deficient demand refers to a situation when: [1]
- a)  $AD < AS$  (corresponding to full employment level) b)  $AS > AD$  (corresponding to underemployment level)  
c)  $AD > AS$  (corresponding to full employment level) d)  $AD = AS$  (corresponding to underemployment level)
10. What will be the value of multiplier if MPC and MPS are equal? [1]
- a) 1 b) 2  
c) Infinity d) 0
11. The government asserts that MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) is to be related to asset creation. How do you evaluate this statement? [3]  
OR  
Giving reason classify the following into intermediate and final goods.
- i. Machine Purchased by a dealer of machine.  
ii. A car purchased by a household.
12. Why are demand deposits treated as components of money supply but time deposits are not treated as components of the money supply? [3]
13. Give the meaning of [4]
- i. involuntary unemployment, and  
ii. inflationary gap
14. To boost the falling demand in the economy, the Reserve Bank of India recently reduced the Repo rate. [4]  
Elaborate the rationale behind the steps taken by the Central Bank.

OR

Explain the function of Central Bank as Banker, Agent and Advisor of the Government.

15. Name the monetary measure indicated in the following statements. Also indicate, whether the following measures will be adopted during excess demand or deficient demand. [4]
- RBI starts selling Government securities to the public.
  - Instead of 80%, now 90% of the security amount will be given as loan.
  - It resulted in increase in interest rate charged by commercial bank from the borrowers.
  - RBI advised SBI to stop advertising for home loans in order to discourage lending.
16. In a single day Raju, the barber, collects Rs 500 from haircuts; over this day, his equipment depreciates in value by Rs 50. of the remaining Rs 450, Raju pays sales tax worth Rs 30, takes home Rs 200 and retains Rs 220 for improvement and buying of new equipment. Based on this information, complete Raju's contribution to the following measures of income [6]
- Gross Domestic Product
  - NNP at market price
  - NNP at factor cost

OR

Are the following items part of compensation of employees? Give reasons for your answer.

- Entertainment allowance to an employee to entertain business guests.
  - Employers' contribution to gratuity fund of the employees.
  - Employees' contribution to provident fund.
  - Payment of insurance claim by LIC to the injured worker.
  - Old age pension to an employee.
  - Medical expenses of a firm on treatment of an employee's family.
17. i. Distinguish between autonomous investment and induced investment, [6]  
ii. On the basis of the following information about an economy calculate its equilibrium level of income.  
Autonomous consumption = Rs 100  
Marginal Propensity to Consume = 0.75  
Investment = Rs 5,000

#### SECTION B-INDIAN ECONOMIC DEVELOPMENT

18. The agriculture sector with \_\_\_\_\_ percent accounted for the largest share of workforce, during the eve of Independence. [1]
- |           |           |
|-----------|-----------|
| a) 80-85% | b) 75-80% |
| c) 60-65% | d) 70-75% |
19. Under which economy the goods are distributed among people on the basis of demand and not on what people need? [1]
- |                      |                       |
|----------------------|-----------------------|
| a) Socialist economy | b) Mixed economy      |
| c) Dual economy      | d) Capitalist economy |

OR

Foreign spending on domestic goods and services is \_\_\_\_ and domestic spending on foreign goods is \_\_\_\_

- |                   |                     |
|-------------------|---------------------|
| a) Import, Export | b) Entrepot, Import |
|-------------------|---------------------|

c) Exports, Entrepport

d) Exports, Imports

20. Which of the following is not a feature of Privatisation: [1]

- i. Contraction of public sector
- ii. Policy of disinvestment
- iii. Policy of memorandum of understanding
- iv. Tax rates have been reduced

a) Option (ii)

b) Option (iii)

c) Option (iv)

d) Option (i)

21. Match the following: [1]

(a) FDI	(i) large corporation which produces or sells goods or services in various countries.
(b) WTO	(ii) investment by the foreigners by way of their business setup in India
(c) FII	(iii) deals with the global rules of trade between nations
(d) MNC's	(iv) investment by the foreigners by way of purchasing equity of Indian companies

A. (a) - (ii), (b) - (iii), (c) - (iv), (d) - (i)

B. (a) - (i), (b) - (iii), (c) - (iv), (d) - (ii)

C. (a) - (ii), (b) - (iv), (c) - (iii), (d) - (i)

D. (a) - (ii), (b) - (iii), (c) - (i), (d) - (iv)

22. **Assertion (A):** Human capital formation gives birth to innovation, Invention and technological improvements. [1]

**Reason (R):** Human capital formation generates a change in the emotional and material environment of growth.

a) Both A and R are true and R is the correct explanation of A.

b) Both A and R are true but R is not the correct explanation of A.

c) A is true but R is false.

d) A is false but R is true.

23. **Assertion (A):** Indian workers suffer from the problem of malnutrition which results in poor health. [1]

**Reason (R):** Shortage of safe drinking water, unhygienic housing, poor sanitation and environment results in poor health of the people.

a) Both A and R are true and R is the correct explanation of A.

b) Both A and R are true but R is not the correct explanation of A.

c) A is true but R is false.

d) A is false but R is true.

24. A large number of engineers and skilled workers can certainly handle the machine and other productive assets in a better way. Which role of human capital does the statement highlight? [1]

a) Innovative skills

b) Change in emotional environment

c) Higher rate of participation

d) Higher productivity of physical capital

25. Which of the following is not a key issue in Rural Development? [1]

a) Rural Credit

b) Tourism

c) Rural Marketing

d) Human Capital Formation

26. Statement 1 : In the case of human capital formation, the change can be measured in terms of units. But it is difficult in the case of physical capital formation. [1]

Statement 2 : A large number of factors that impact the productivity of human beings are nonquantifiable.

- a) Both Statement 1 & 2 true  
b) Both Statement 1 & 2 are false  
c) Statement 1 is true but Statement 2 is false.  
d) Statement 1 is false but Statement 2 is true.

27. **Assertion (A):** On-the-job training is a source of human capital formation as it increases the skill and efficiency of the workers. [1]

**Reason (R):** On-the-job training leads to an increase in production and productivity.

- a) Both A and R are true and R is the correct explanation of A.  
b) Both A and R are true but R is not the correct explanation of A.  
c) A is true but R is false.  
d) A is false but R is true.

28. Explain the statement that Green Revolution enabled the government to procure sufficient foodgrains to build its stocks that could be used during times of shortage. [3]

29. 'Agricultural marketing refers to the farmers' act of bringing their produce to the market for sale'. Is the statement correct? [3]

OR

Classify rural credit in different categories on the basis of time period.

30. Comment upon any two salient features of the occupational structure of India on the eve of Independence. [4]

OR

Differentiate between Self Reliance and Self Sufficiency.

31. Is India going to be knowledge based economy in the near future? [4]

32. Critically appraise the fiscal reforms initiated under NEP of 1991. [4]

33. Saksham argues that in the era of privatisation, there is no need for government intervention in education and health sectors. However, his friend Ahaan argues that education and health care services create social benefits and therefore there is a need for government intervention in education and health sectors. Decide with reasons who is right? [6]

OR

Was it necessary to introduce economic reforms at the behest of World Bank and International Monetary Fund? Was there no alternative to solve the problem of balance of payment crisis? Suggest any other alternative.

34. How are credit and marketing significant for the progress of agriculture? [6]