

SAMPLE QUESTION PAPER - 2

CLASS –XII

SUBJECT: ECONOMICS (030)

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 of 1 mark each.
3. This paper contains 4 Short Answer Questions of 3 marks each to be answered in 60 to 80 words.
4. This paper contains 6 Short Answer Questions of 4 marks each to be answered in 80 to 100 words.
5. This paper contains 4 Long Answer Questions of 6 marks each to be answered in 100 to 150 words.

SECTION – A - MACRO ECONOMICS

1. Which of the following statements is not true? 1
 - a) Periodically, banks need to submit information to the RBI on how much they are lending, to whom, at what interest rate, etc.
 - b) The Reserve Bank of India supervises the functioning of formal sources of loans.
 - c) The RBI monitors the banks in actually maintaining cash balances.
 - d) RBI decides the lending rates of the commercial banks.

2. Read the following statements carefully: 1

Statement 1: If foreign exchange rate of a country increases, Demand of foreign exchange will also increase.

Statement 2: If foreign exchange rate increases supply of foreign exchange will also increase.

In light of the given statements, choose the correct alternative from the following:

 - a) Statement 1 is true and Statement 2 is false.
 - b) Statement 1 is false and Statement 2 is true.
 - c) Both Statements 1 and 2 are true.
 - d) Both Statements 1 and 2 are false.

3. Which of the following statements accurately describes the consumption function? 1
 - a) The consumption function is a relation between income, savings, price and consumption.
 - b) The consumption function is a relation between income and consumption.
 - c) The consumption function is a relation between price, savings and consumption.
 - d) The consumption function is a relation between income, price and savings.

4. Which of the following statements is true about excess demand? 1
 - a) Excess demand can lead to a rise in employment and price levels.
 - b) Excess demand can lead to a fall in employment and price levels.
 - c) Excess demand does not affect the employment and price levels.
 - d) Excess demand does not affect employment but leads to a rise in the price level.

5. Import of machinery and equipment is recorded under _____ of the _____ account. 1
- Credit side, capital
 - Debit side, capital
 - Debit side, current
 - Credit side, current

6. Out of the following which value can be greater than 1 1
- APC
 - MPC
 - APS
 - MPS

7. Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below: 1

Assertion (A): The currency notes do not carry as much value in them as is denominated, still have general acceptance.

Reason (R): Currency notes are backed by a legal promise from the central bank and central government of the country.

Alternatives:

- Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 - Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
 - Assertion (A) is true, but Reason (R) is false.
 - Assertion (A) is false, but Reason (R) is true.
8. From the set of statements given in Column I and Column II, choose the correct pair of statements: 1

Column I	Column II
A. Vegetables grown in the personal garden	I. Non marketable goods
B. A car used as a taxi	II. Consumers good
C. An air-conditioner used by household	III. Capital good
D. Scholarship given to household	IV. Factor income

Alternatives:

- a) A-I b) B-II c) C-III d) D-IV

OR

Complete the table:

Producer	Value of output	Intermediate Added	Value consumption
Farmer	2000	.....	2000
Baker	.....(i).....	2000	2000
Retail seller	4400	....(iii).....	400
Total	.....(ii).....	6000	.....(iv).....

Alternatives :

- (a) 4000,10400,4000,4000
- (b) 2000,6000,6000,4400
- (c) 4000,10400,4000,4400
- (d) 4000,10400,6000,4000

9. Choose the correct statement from given below:

1

- (a) Budget deficit is equal to fiscal deficit if interest payments are zero
- (b) Zero primary deficit represent a fiscal discipline
- (c) Fiscal deficit is equal to the borrowing requirement of government
- (d) Revenue deficit is need not to be inflationary

10. What is the value of the money multiplier when initial deposits are ₹500 crores and LRR is 10%.

1

- a) 0.2
- b) 0.1
- c) 10
- d) 2

11. Differentiate between Current account of BoP and Balance of Trade.

3

OR

How is Devaluation different from Depreciation?

12. Giving valid reasons, explain how the following would be treated while estimating domestic income.

3

- (i) Payment made by American tourists for goods purchased in India.
- (ii) Payment of fees to a Chartered Accountant by a firm.
- (iii) Compensation given by an insurance company to an injured worker.

13. An economy is in equilibrium. Find investment expenditure. 4
 National Income = ₹ 1,200
 Autonomous Consumption Expenditure = ₹ 150
 Marginal Propensity to Consume = 0.8

14. What is meant by underemployment equilibrium? What is its effect on output employment and prices? 4

15. Explain the significance of the unit of account function of money. 4

OR

Explain the significance of standard of deferred payment function of money

16.(a) Calculate a) Operating Surplus (b) Domestic income 4

Particulars	₹ In crores
Compensation of employees	2000
Rent and Interest	800
Indirect taxes	120
Corporation tax	460
Consumption of fixed capital	100
Subsidies	20
Dividend	940
Undistributed profit	300
Net factor income from abroad	150
Mixed income	200

(b) Machine purchased is always a capital good. Do you agree? Give reasons for your answer. 2

OR

a) The value of nominal GNP of an economy was ₹ 2,500 crores in a particular year. 3

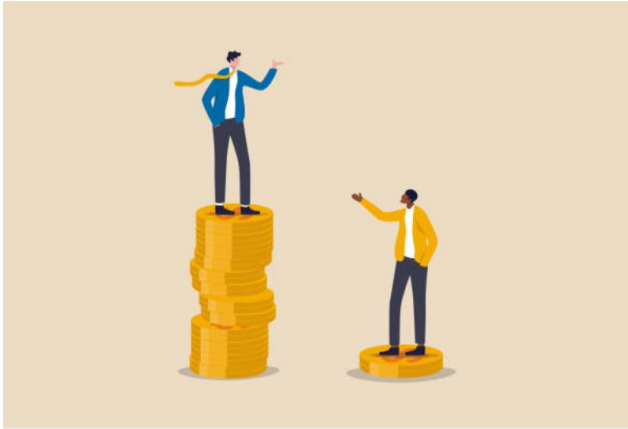
The value of GNP of the country during the same year, evaluated at the prices of the same base year was ₹ 3,000 crores. Calculate the value of the GNP deflator of the year in percentage terms. Has the price level risen between the base year and the year under consideration.

(b) Why real national income is a better indicator of development than nominal national income? 3

17. a) Giving reasons categorise the following receipts of the government into revenue and capital receipts: 3

- i) Profits from public sector undertakings
- ii) Escheats
- iii) Recovery of loans

b)



Which problem of the economy is depicted in the picture above? How can this problem be addressed through government budget? 3

SECTION- B- INDIAN ECONOMIC DEVELOPMENT

18. Which one of the following is not a goal of the Planning Commission? 1

- a) Economic Growth
- b) Equity
- c) Resource conservation
- d) Self-reliance

19. _____ and _____ started their development path at the same time and announced their first five year plan in 1951 and 1956 respectively. 1

- I. Pakistan
- II. India
- III. People's republic of China
- IV. Afghanistan

Alternatives:

- a) I and II
- b) I and III
- c) III and IV
- d) I and IV

20. To solve the balance of payment crisis in 1991, the Indian Rupee was _____ against foreign currencies. 1

- a) Appreciated
- b) Depreciated
- c) Revalued
- d) Devalued

21. Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from these given below. 1

Assertion (A): People who are an asset for the economy turn into a liability

Reason (R): Unemployment has a detrimental impact on the overall growth of an economy.

Alternatives:

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

22. Read the following statements carefully and choose the correct alternative from the following: 1

Statement 1: Slow rate of economic growth in the country is one of the reasons for unemployment.

Statement 2: Control over population growth is one of the important measures to reduce unemployment in the country.

Alternatives:

- a) Both the statements are true.
- b) Both the statements are false.
- c) Statement 1 is true and statement 2 is false.
- d) Statement 2 is true and statement 1 is false.

23. India entered the _____ stage of Demographic Transition after the year 1921. 1

- a) Fourth
- b) Second
- c) Third
- d) first

24. From the set of statements given in Column I and Column II, choose the correct pair of statements: 1

Column I	Column II
A. Life expectancy rate	1. Dada bhai Naoroji
B. National income of 1931-32 was estimated by	2. VKRV Rao
C. Commercialization of agricultural	3. Number of years a person is expected to live
D. Estimated the national income for the first time	4. Self-sufficiency in food grain

- a) A-4 b) B-2 c) C-1 d) D-3

28. Comment on India's pre-independence demographic profile. 3

OR

What do you understand by the drain of Indian wealth during the colonial period?

29. While subsidies encourage farmers to use new technology, they are a huge burden on government finances. Discuss the usefulness of subsidies in the light of this fact. 3

30. Do you think that 'India is going to be a knowledge based economy in the near future'? Give reasons for your answer. 4

OR

How is literacy different from education? In your opinion why India has not been able to achieve 100% literacy rates?

31.

	INDIA	CHINA	PAKISTAN
Sex ratio	924	949	943

Analyze and Comment on the data given above.

32. The threat to India's environment poses a dichotomy - threat of poverty induced environmental degradation and at the same time threat of pollution from affluence and a rapidly growing industrial sector. Defend or refute the given statement. 4

33. i) Do you think that in the last 50 years, employment generated in the country is commensurate with the growth of GDP in India? Give reasons to support your answer? 3

ii) Give the advantages and limitations of rural banking. 3

OR

i) Do you think that unemployment is related to poverty? Give reasons to support your answer? 3

ii) Explain the meaning of the term 'distress sale'? 3

34. Read the following hypothetical text and answer the given questions:

The performance of Indian economy during the period of first seven five -year plans (1950-1990) was satisfactory if not very impressive. On the eve of independence, India was an industrially backward country, but during this period of first seven plans our industries became far more diversified, with the stress being laid on the public investments in the industrial sector. The policy of import substitution led to protection of the domestic industries against the foreign producers but we failed to promote a strong export surplus. Although public sector expanded to a large extent but it could not bring desired level of improvement in the secondary sector. Excessive government regulations prevented the natural trajectory of growth of entrepreneurship as there was no competition, no innovation and no modernization on the front of the industrial sector. Many Public Sector Undertakings (PSU's) incurred huge losses due to operational inefficiencies, red- tapism, poor technology and other similar reasons. These PSU's continued to function because it was difficult to close a government undertaking even it is a drain on country's limited resources. On the Agricultural front, due to the measures taken under the Green Revolution, India more or less became self-sufficient in the production of food grains. So the needs for reform of economic policy was widely felt in the context of changing global economic scenario to achieve desired growth in the country.

i) Which of the following was not a reason for the public sector to play a major role in the initial phase of Indian Economic Planning? 1

- a) Private entrepreneurs lacked sufficient capital for investment.
- b) Government aimed at social welfare.
- c) The market was big enough to encourage private industrialists for investment.
- d) The government wanted to protect the indigenous producers from the foreign competition.

ii) Read the following statements –

Assertion (A): Many public sector undertakings incurred huge losses due to operational inefficiencies.

Reason (R): Red-tapism was one of the reasons for continuation of such enterprises.

Select the correct alternative from the following:

Alternatives:

- a) Both Assertion (A) and Reason(R) are true and Reason (R) is the correct explanation of Assertion (A).

b) Both Assertion (A) and Reason(R) are true and Reason(R) is not the correct explanation of Assertion (A).

c) Assertion (A) is true but Reason (R) is True.

d) Assertion (A) is false but Reason(R) are is true

iii) Which of the following is not a component of privatisation?

1

a) Contraction of public sector

b) Disinvestment in public sector enterprises

c) Sale of public sector's share

d) Purchase of industrial shares by the government

iv). Industrialisation in India has recorded a slowdown in the period of economic reforms.

3

Do you agree with the statement? Support your answer with valid arguments.