



COMMON PRE-BOARD EXAMINATION 2022-23

Subject: ECONOMICS (030)



Date:

Duration: 3 Hours

TOTAL 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.

Q.NO.	SECTION A – MACRO ECONOMICS	Marks
1.	(d) Both statements 1 and 2 are true	1
2.	(c) depreciation	1
3.	(a) Commercial Banks	1
4.	(d) Managed Floating Exchange Rate	1
5.	a) Real OR b) Indirect taxes	1 1

6.	(c) Both statements 1 and 2 are false	1										
7.	(b) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)	1										
8.	(a) Inverse OR (c) ₹ 1,100 crore	1 1										
9.	(b) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)	1										
10.	c)A – (iii), B – (iv), C – (i), D - (ii)	1										
11.	<table border="1"><thead><tr><th>Intermediate Goods</th><th>Final Goods</th></tr></thead><tbody><tr><td>Goods that are used up in production and goods that are bought for resale.</td><td>Goods that are used for consumption or for investment.</td></tr><tr><td>They are not included in National Income</td><td>They are included in National Income</td></tr><tr><td>They are still in the production boundary.</td><td>They crossed the production boundary.</td></tr><tr><td>Example: Bread purchased by a restaurant.</td><td>Bread purchased by a household.</td></tr></tbody></table> <p>(Any three points)</p>	Intermediate Goods	Final Goods	Goods that are used up in production and goods that are bought for resale.	Goods that are used for consumption or for investment.	They are not included in National Income	They are included in National Income	They are still in the production boundary.	They crossed the production boundary.	Example: Bread purchased by a restaurant.	Bread purchased by a household.	3
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Example: Bread purchased by a restaurant.	Bread purchased by a household.											
12.	<p>Equilibrium rate of exchange is established at a point where the quantity demanded and quantity supplied of foreign exchange are equal. In the foreign exchange market, if disequilibrium occurs, it may lead to a situation of excess demand or excess supply. The market mechanism will drive the exchange rate back to the equilibrium level. This implies that the free market forces of demand and supply will operate in such a manner that the equilibrium rate of exchange is automatically restored.</p> <p>OR</p> <p>Autonomous transactions are those international economic transactions which are independent of the state of Balance of Payments (BOP). These transactions generally take place with 'economic motive'. These transactions are called 'above the line' transactions in the Balance of Payments account.</p> <p>Whereas;</p>	3 1½ 1½										

	Accommodating transactions are those international economic transactions which are undertaken (by competent authorities) to cover the surplus or deficit in Balance of Payments. These transactions are independent of any economic motive and are called 'below the line' transactions in the Balance of Payments account	
13.	<p>a) At zero or very low level of income, a minimum level of consumption is necessary for survival. This is called autonomous consumption.</p> <p>b) The shaded area OSB_1 indicate dis-savings.</p> <p>c) Point B indicates breakeven level of income, where Consumption (C) is equal to income(Y) or Savings(S) are zero.</p> <p>d) Average Propensity to Consume will be equal to one at point B as here Average Propensity Save is zero. The corresponding level of income = OB_1.</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p>
14.	<p>a)It indicates the percentage (or ratio) of income which is being spent on consumption. It is worked out by dividing total consumption expenditure (C) by total income (Y). $APC = C/Y$ The sum of APC and APS = 1 We know, $Y = C + S$ By dividing both sides by Y ,we get $Y/Y = C/Y + S/Y$ $1 = APC + APS$ $APC + APS = 1$ because income is either used for consumption or for savings.</p> <p>b) At the equilibrium level, $Y = C + I$ $MPC = 1 - MPS$ $= 1 - 0.3 = 0.7$ $Y = \bar{C} + MPC(Y) + I$ $800 = 100 + 0.7(800) + I$ $800 = 100 + 560 + I$ $800 = 660 + I$ $I = 800 - 660$ $= 140$ Investment expenditure = 140</p>	<p>2</p> <p>2</p>
15.	<p>Money multiplier refers to the process of creation of credit by the commercial banks, with the help of initial deposits made by the public and legal reserve ratio (LRR).</p> <p>Money Multiplier = $\frac{1}{LRR}$</p> <p>Suppose there is initial deposit of ₹1000 crores and LRR is 10%, then</p>	<p>1</p> <p>1</p>

	<p>Money Multiplier = $\frac{1}{10\%} = 10$</p> <p>Total deposits = Initial deposits $\times \frac{1}{LRR}$</p> <p>Credit Creation = $1000 \times 10 = \text{Rs.}10000 \text{ Crore.}$</p> <p style="text-align: center;">OR</p> <p>a) 'Bank of issue' function of Central Bank: Central Bank is the apex institution of a country which regulates the entire banking system. It is RBI in India. Central Bank is considered as the bank of issue as only Central Bank of the country has the monopoly to issue currency. The currency notes printed and issued by the Central Bank become unlimited legal tender throughout the country. It brings uniformity in the monetary system of note issue and note circulation. This monopoly right enables the Central Bank to exercise control over the creation of credit by the commercial Banks.</p> <p>b) Lender of Last Resort: In case if the Commercial Banks are not able to meet their financial requirements from other sources, they can approach the Central Bank for financial accommodation. It provides financial help to the Commercial Banks in times of emergency. Central Bank advances loans to the Commercial Banks against approved securities. By offering loans to the Commercial Bank in situations of emergency, the Central Bank ensures that the banking system of the country does not suffer any set back. The money market remains stable.</p>	<p>1</p> <p>1</p> <p>2</p> <p>2</p>
16.	<p>a) $NDP_{FC} = COE + OS + MI$ $COE = 2000$ $OS = \text{Rent} + \text{Royalty} + \text{Interest} + \text{Profit}$ $\text{Rent} + \text{Interest} = 800$ $\text{Profit} = \text{Corporate Tax} + \text{dividend} + \text{Undistributed Profit}$ $= 460 + 940 + 300 = 1700$ $MI = 200$ $NDP_{FC} = 2000 + 800 + 1700 + 200$ $= 4700$</p> <p>b) The precautions are:</p> <ul style="list-style-type: none"> i) The expenditure on intermediate goods should not be included. ii) The expenditure on second hand goods and scraps should not be included but the expenditure made on broker's service as commission can be included. iii) The expenditure on transfer payments should not be included. 	<p>1</p> <p>1</p> <p>1</p> <p>3</p>

	<p>iv) The expenditure on illegal goods should not be included</p> <p>v) The expenditure on products produced through leisure time activities and nonmarket activities should not be included. (Any three points)</p>	
17.	<p>a)i These are revenue receipts because these do not create a liability or reduce the assets of the government. (1)</p> <p>ii) This is a capital receipt because it increases the liability of the government. 1</p> <p>iii) Profits of public sector undertakings are revenue receipts because they neither create a liability for the government nor lead to reduction in assets of the government. 1</p> <p>b) Define Government Budget. Elaborate the objective of 'economic growth' in the Government budget. 1</p> <p>Ans. Government budget is a financial statement of the estimates of government receipts and Government expenditures during the period of the financial year.</p> <p><u>Economic growth:</u> 2</p> <p>Government allocates resources for various development and welfare programmes in its budget.</p> <p>Funds are allocated for the defence of the country.</p> <p>Resources are allocated for educational and health sectors.</p> <p>Resources are allocated for the development of various sectors of the economy.</p> <p>Balanced allocation of resources help in balanced economic growth.</p> <p>Backward areas are given more resources.</p> <p style="text-align: center;">OR</p> <p>a) Direct taxes are those taxes whose impact and incidence lies on the same entity. In other words, the liability of paying direct taxes can't be shifted. For example: income tax. 1 ½</p> <p>Whereas; Indirect taxes are those taxes whose impact and incidence may lie on different entities. In other words, the liability of paying indirect taxes can be shifted. 1 ½</p> <p>For example: GST.</p> <p>Capital receipts refers to government's receipts which either creates a liability or leads to reduction in the value of assets. The sources of Capital receipts are:</p> <p>i) Recovery of loans: Loans offered by government to others are government assets. The Central government grants loans to 1</p>	

	<p>states, union territories public sector enterprises and foreign governments Recovery of loans is treated as capital receipts because it causes reduction in assets of the government.</p> <p>ii) Borrowings: Funds raised by the government from borrowing are treated as capital receipts. These funds are borrowed from open market, Reserve Bank of India, foreign governments and international organisations like World Bank, etc. Government resorts to borrowings when its expenditure exceeds its revenue.</p> <p>iii) Disinvestment: Government raises funds from disinvestment. Disinvestment means selling whole or part of the shares of selected public sector enterprises (like Indian Oil Corporation, SAIL) held by the government to the private sector. As a result, government assets are reduced.</p>	<p>1</p> <p>1</p>
	SECTION B – INDIAN ECONOMIC DEVELOPMENT	
18.	(a) from 'regulator' to a facilitator of the financial sector	1
19.	<p>(c) India generated large export surplus during the British rule.</p> <p>OR</p> <p>(b) Industrial and Service sectors grew at a faster rate than the agricultural sector.</p>	<p>1</p> <p>1</p>
20.	b) Workforce	1
21.	a) rural	1
22.	<p>(b) (iv), (iii), (ii), (i)</p> <p>OR</p> <p>(a) I and II</p>	<p>1</p> <p>1</p>
23.	(b) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)	1
24.	Ans: d) China	1
25.	<p>c) A - (i)</p> <p>OR</p> <p>d. All of the above</p>	<p>1</p> <p>1</p>

26.	c)Statement I is true, Statement II is false	1
27.	c)Statement I is true, Statement II is false	1
28.	<p>Some obstacles that hinder the mechanism of agricultural marketing are:</p> <p>i)Farmers while selling their produce to traders, suffered from faulty weighing and manipulation of accounts.</p> <p>ii)Farmers who did not have the required information on prices prevailing in markets were often forced to sell at low prices.</p> <p>iii)They also did not have storage facilities to keep back their produce for selling later at a better price. Even today, more than 10%of goods produced in farms are wasted due to lack of storage.</p> <p style="text-align: center;">OR</p> <p>i. Education Education not only raises the standard and quality of living but also encourages modern attitudes of people. Moreover, education increases the productive capacity and productivity of a nation's workforce by honouring their skills. Further, education increases the acceptability of the modern techniques and also facilitates a primitive economy to break the shackles of tradition and backwardness. An investment in educational sector has two fold benefits. It not only increases the income earning capacity but also reduces the skewed distribution of income, thereby, forming an egalitarian society.</p> <p>ii. Health There is a saying "The greatest wealth is health". The wealth of a country can be increased with the efforts of healthy workforce. Investment in health sector increases efficiency, efficacy and productivity of a nation's workforce. In contrast to an unhealthy person, a healthy person can work better with more efficiency and, consequently, can contribute relatively more to the GDP of a country. Good health and medical facilities not only increase the life expectancy but also improve quality and standard of living. Investing in health sector ensures the perennial supply of healthy workforce.</p>	<p>3</p> <p>1 ½</p> <p>1 ½</p>
29.	<p>SIMILARITY</p> <p>i)India, China and Pakistan have many similarities in development strategies in similar ways. India announced its Five year Plan in 1951 – 56, while Pakistan announced its Five year plan in 1956, which is called 'Medium Term Plan'. China announced its five year plan in 1953.</p> <p>ii)Till 1980s, all the three countries had similar growth rates and Per Capita Incomes.</p> <p>iii)Economic reforms took place in all the three countries, reforms started in India in 1991, in China in 1978 and in Pakistan in 1988.</p> <p>(Any one point)</p> <p>DISSIMILARITIES</p> <p>i) India and Pakistan followed mixed economy approach while China</p>	<p>1</p> <p>2</p>

	<p>followed socialist pattern.</p> <p>ii) China's industrial sector has maintained a high growth rate while in India and Pakistan, service sector showed a better performance.</p> <p>iii) Density of Population: In spite of the fact that China is highly populated and geographically occupying the largest area among the three nations, its density of population is the lowest. It is as low as 145 persons per square kilometer of area compared to 421 and 236 persons in India and Pakistan respectively in 2013.</p> <p>iv) Fertility Rate: This rate refers to the number of children a woman gives birth to during her lifetime. China enjoys an upper hand in this case. The fertility rate of Chinese woman is only 1.8 whereas those of India and Pakistan are 3.0 and 5.1.</p> <p>v) China is ahead of India and Pakistan in almost all human development indices.</p> <p>(Any two points)</p>	
30.	<p>(a) Rising population: The rising population creates pressure on available resources. The intensive and extensive extraction of both renewable and non-renewable resources has led to exhaustion of the vital resources. Also, the explosive population size has triggered excessive demand for housing, thereby, resulting in widespread deforestation and fast depletion of other natural resources leading to ecological imbalances. Therefore, it is high time for the Indian government to take preventive measures to control population explosion.</p> <p>(b) Air Pollution: It is widespread in urban areas of India. Increased vehicular population is the major reason of air pollution in cities. Even in villages, burning of firewood and cow dung cakes contributes to air pollution. This causes hypertension, asthma, respiratory and cardiovascular problems. Therefore, the Indian government should take various steps to control air pollution, avoid deforestation, increase health investment and also search for new alternative pollution free technology such as CNG, etc.</p>	<p>2</p> <p>2</p>
31.	<p>India's Demographic conditions during the British rule depict our economy as stagnant and backward.</p> <p>a) Both the birth rate and death rate were high. Due to high birth rate and high death rate the population growth was stagnant.</p> <p>b) The Infant Mortality Rate was also very high of about 218 per thousand. The Life Expectancy Rate was as low as 44 years while presently it is 68 years.</p> <p>c) The literacy rate was less than 16 percent which denotes social backwardness and gender bias in the economy.</p> <p>d) In the absence of reliable data, it is difficult to specify the extent of poverty at that time but there is no doubt that extensive poverty prevailed in India during the colonial period.</p> <p>(One mark for each point)</p>	4

32.

a)The given statement is quite appropriate with reference to the 'casualisation of labour' in India.

i) For casual workers, the rights of the labour are not properly protected by labour laws. Particularly, during pandemic times, as demand for goods and services fell the casual workers were left jobless, without any compensation or support.

ii) During the COVID-19 lockdown millions of casual workers lost their jobs, raising the question of their survival. Also, additional health expenditure added to their troubles. Had such workers been working under the formal sector, it would have given them some respite in their difficult times.

b)

Ans.

	Basis	Biotic elements	Abiotic elements
	Meaning	Biotic elements include all living elements	Abiotic elements include all non-living elements.
	Example	The birds, animals and plants, forests, fisheries etc	abiotic elements include air, water, land rocks and sunlight etc.

33.

a) 1 Employment: For a developing country like India, employment generation is an important objective and outsourcing proves to be a boon for creating more employment opportunities. It leads to generation of newer and higher paying jobs.

1. **Exchange of technical know-how:** Outsourcing enables the exchange of ideas and technical know-how of sophisticated and advanced technology from developed to developing countries.
2. **International worthiness:** Outsourcing to India also enhances India's international worthiness credibility. This increases the inflow of investment to India.
3. **Encourages other sectors:** Outsourcing not only benefits the service sector but also affects other related sectors like industrial and agricultural sector through various backward and forward linkages.
4. **Contributes to human capital formation:** Outsourcing helps in the development and formation of human capital by training, imparting them with advanced skills, thereby increasing their future scope and their suitability for high ranked jobs.
5. **Better standard of living and eradication of poverty:** By creating more and higher paying jobs, outsourcing improves the standard and quality of living of the people in the developing countries. It also helps in reducing poverty.
6. **Greater infrastructural investment:** Outsourcing to India requires better quality infrastructure. This leads to the modernization of the economy and larger investment by the

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	<p>government to develop quality infrastructure and to develop quality human capital. (Any two points)</p> <p>a) However, outsourcing to India is good, but developed countries oppose this because outsourcing leads to the outflow of investments and funds from the developed countries to the less developed countries.</p> <p>b) Also the MNCs contribute more to the development of the host country than the home country. Further, outsourcing reduces the employment generation in the developed countries as the same jobs can be done in the developing countries at relatively cheap wages.</p> <p>c) Moreover this leads to job insecurity in the developed countries as at a point of time jobs can be outsourced to the developing countries. (Any two points)</p>	2
	<p>b) i) Inadequate infrastructure and marketing</p> <p>ii) Compared to conventional farm products, organic products have more shorter shelf life span.</p>	2
	<p>OR</p>	
	<p>a) The infusion of credit is very essential for the growth of agricultural sector, leading to rural economic development. The importance of credit in rural development is highlighted in the following points:</p> <ol style="list-style-type: none"> 1. Credit helps the farmers to commercialise their farming. In other words, commercial farming requires funds that are provided via credit. As the small and the marginal farmers produce only for their subsistence, they fail to generate sufficient surplus to reinvest on their lands leading to degradation of the land. 2. Secondly, given the long gestation period between sowing and harvesting of the crops, credit is extended to the farmers for meeting their initial requirements of farm inputs like seeds, fertilisers, etc. 3. Credit saves the farmers from the vicious circle of poverty. The farmers require funds for meeting their general and specific needs. These needs are to be fulfilled via credit. 4. Lastly, agriculture has always been dependent at the vagaries of climate. In the absence of good monsoon or crop failure, farmers are worst hurt. Thus, in order to save them from such tragedy, crop insurance and farm credit plays a vital role. (Any three points) 	3
	<p>b) Participation rate for women is higher in rural areas compared with urban areas. It is because in rural areas, poverty forces women to seek employment. Without education, women in rural areas find only less productive jobs and get low wages. They prefer to stay at home and work in agricultural fields for low wages and support the family income.</p>	3

	In urban areas, men are able to earn high incomes. So they discourage female members from taking up jobs.	
34.	<p>a) Green revolution was implemented in India to overcome the shortage of food-grain availability in the post-independence period. Green revolution has increased the production and productivity in the agriculture sector which was otherwise very low. It helped in improving the income of the farmers by creating marketable surplus, increased employment and output.</p> <p>b) The given statement is appropriate as the Green Revolution helped government to procure and preserve more food grains through agencies like Food Corporation of India. Increase in food grain production has been so substantial that India not only started maintaining buffer stocks of food grains but also became a dominant player in food grain exports market.</p>	<p>3</p> <p>3</p>

END OF QUESTION PAPER