



**INDIAN SCHOOL MUSCAT
SAMPLE PAPER
ECONOMICS (030)**



CLASS : XII

TIME ALLOTTED : 3 HRS.

MAXIMUM MARKS: 80

GENERAL INSTRUCTIONS:

1. This question paper contains two parts:
Part A - Macro Economics (40 marks)
Part B - Indian Economic Development (40 marks).
2. Marks for questions are indicated against each question.
3. Question No. 1-10 and Question No. 18 – 27 are 1 mark questions and are to be answered in one word/sentence.
4. Question No. 11-12 and Question No. 28 – 29 are 3 marks questions and are to be answered in 60 - 80 words each.
5. Case Based Questions (CBQ's) are Question No. 14 and Question No. 30.
6. Question No. 14-15 and Question No. 31 – 32 are 4 marks questions and are to be answered in 80-100 words each.
7. Question No. 16-17 and Question No. 33 – 34 are 6 marks questions and are to be answered in 100-150 words each.
8. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

MACROECONOMICS (40 Marks)

1. Who are considered as the owner of factors of production in the circular flow of income? 1
(Choose the correct alternative)
(A) Firms
(B) Household
(C) Government
(D) Rest of the world
2. Read the following statement on Assertion (A) Reason (R). (Choose the correct alternative) 1

Assertion (A): Nominal GDP is always equal to Real GDP.
Reason (R): Real GDP is a better measure to make a periodic comparison in the physical output of goods and services over different years as compared to Nominal GDP.
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 false
(D) Assertion (A) is False but Reason (R) is true
3. The central bank can increase availability of credit by: (Choose the correct alternative). 1
(A) Raising repo rate
(B) Raising reverse repo rate
(C) Buying government securities
(D) Selling government securities

OR

Margin requirement is: (Choose the correct alternative)

- (A) Current value of the security offered for loan (-) value of loan granted
- (B) Current value of the security offered for loan (+) value of loan granted
- (C) Current value of the security offered for loan (x) value of loan granted
- (D) Current value of the security offered for loan (\div) value of loan granted

4. When consumption function starts from a point from Y-axis, it indicates: (Choose the correct alternative) 1

- (A) Consumption is zero when income is zero
- (B) Consumption is positive when income is zero
- (C) Income is saved due to zero consumption
- (D) Consumption has no relation from income

5. State whether the following statement is True or False 1
The rate at which consumption increases is more than the rate at which income increases,

OR

Fill up the blank with correct alternative

_____ is the ration between additional saving and additional income (APC/MPC)

6. When $\bar{C} = 50$, $MPC = 0.6$ and $Y = 800$, value of saving will be: (Choose the correct alternative) 1

- (A) 270
- (B) 320
- (C) 330
- (D) 370

7. Read the following statement on Assertion (A) Reason (R). (Choose the correct alternative) 1

Assertion (A): Public goods are non-rivalrous

Reason (R): The benefits of such goods can be enjoyed by all and are not restricted to any one person

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 false
- (D) Assertion (A) is False but Reason (R) is true

OR

Read the following statement on Assertion (A) Reason (R). (Choose the correct alternative)

Assertion (A): Government imposes heavy taxes on socially undesirable goods and also gives subsidy for LPG gas.

Reason (R): The government undertakes such a measure to ensure economic stability in the 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 and 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

8. Write the correct pair from the following

1

Column - I	Column - II
(i) Revenue Deficit	(A) Revenue Expenditure = Revenue Receipts
(ii) Fiscal Deficit	(B) Total Expenditure – Total receipts other than borrowings + Capital receipts other than borrowings
(iii) Primary Deficit	(C) Total Deficit – Interest Payments

9. If the government borrowing for the fiscal year is ₹35, 000 crores and interest payments are ₹5, 000 crores then the value of fiscal deficit will be: (Choose the correct alternative)

1

- (A) ₹35, 000 crores
 (B) ₹30, 000 crores
 (C) ₹40, 000 crores
 (D) ₹45, 000 crores

10. Non tax revenue in the following is _____ (Choose the correct alternative)

1

- (A) Export duty
 (B) Import duty
 (C) Dividends
 (D) Excise

11. What is real GDP? State any two limitations of GDP as an index of economic welfare.

3

OR

Social welfare may not increase even when real GDP increases. Explain.

12. Given that national income is ₹80 crore and consumption expenditure ₹64 crore, find out average propensity to save. When income rises to ₹100 crore and consumption expenditure to ₹78 crores, what will be the average propensity to consume and the marginal propensity to consume?

3

13. Will the following factor incomes be a part of domestic factor income of India? Give reasons.

4

- (A) Profit earned by foreign banks from their branches in India.
 (B) Salary received by Indian residents, working in American embassy in India.
 (C) Profits earned by an Indian company from its branch in Singapore.
 (D) Compensation of employees given to residents of China working in Indian embassy in China.

OR

How will you treat the following while estimating national income? Give reasons for your answer.

- (A) Imputed rent of self-occupied building
 (B) Money received by a family in India from relatives working abroad.
 (C) Profits earned by a branch of an Indian bank in Canada
 (D) Scholarship given to Indian students studying in India by a foreign company

14. Read the following Case Study carefully and answer the given questions:

4

To boost provision of immediate liquidity for ramping up COVID related healthcare infrastructure and services in the country, an on-tap liquidity window of ₹50,000 crores with tenors of up to three years at the repo rate is being opened till March 31, 2022. Under the scheme, banks can provide fresh lending support to a wide range of entities including vaccine manufactures; importers/suppliers of vaccines and priority medical devices; hospitals/dispensaries; pathology labs; manufactures and suppliers of oxygen and ventilators; importers of vaccines and COVID related drugs; logistics firms and also patients for treatment. The ₹50,000 crore emergency health service loans will be classified as priority sector loans till repayment or maturity, whichever is earlier. Priority sector loans are exempted from maintaining cash reserve or statutory liquidity ratios, and so banks can extend them at concessional rates too.

Questions:

1. The apex institution of country's monetary system is _____. (Choose the correct alternative)
(A) Commercial bank
(B) Central bank
(C) Ministry of finance
(D) Cooperative banks
2. Which function of the central bank is highlighted in the above extract? (Choose the correct alternative)
(A) Banker to the government
(B) Banker's bank and supervisor
(C) Bank of issue
(D) Custodian of foreign exchange
3. Commercial banks are required to keep a minimum ratio of their net demand and time liabilities with RBI. This is known as _____. (Choose the correct alternative)
(A) Cash reserve ratio
(B) Statutory liquidity ratio
(C) Bank rate
(D) Repo rate
4. When RBI comes to the rescue of a bank that is solvent but faces temporary liquidity problems by supplying it with much needed liquidity when no one else is willing to extend credit to that bank, it acts as _____. (Choose the correct alternative)
(A) Clearing house
(B) Lender of last resort
(C) Manager of public debt
(D) Currency authority

15. Explain the steps involved in the derivation of savings function curve from consumption function curve. Use diagram.

4

16. (a) Calculate Gross National Product at factor cost.

6

	Particulars	(₹ in crores)
(a)	Compensation of employees	3,000

(b)	Profit	800
(c)	Opening stock	200
(d)	Closing stock	150
(e)	Indirect taxes	700
(f)	Rent	600
(g)	Interest	900
(h)	Subsidies	100
(i)	Consumption of fixed capital	850
(j)	Net exports	(-) 250
(k)	Net factor income to abroad	300
(l)	Net current transfers from rest of the world	400
(m)	Mixed income of self-employed	5,000

(b) Describe the expenditure method of calculating Gross Domestic Product at market price.

OR

(a) Calculate National Income from the following:

	Items	(₹ in crore)
(a)	Net factor income to abroad	(-) 50
(b)	(Net indirect taxes	800
(c)	Net current transfers from rest of the world	100
(d)	Net imports	200
(e)	Private final consumption expenditure	5,000
(f)	Government final consumption expenditure	3,000
(g)	Gross domestic capital formation	1,000
(h)	Consumption of fixed capital	150
(i)	Change in stock	(-) 50
(j)	Mixed income	4,000
(k)	Scholarship to students	80

(b) Describe the production method of calculating Gross Domestic Product at market price.

17. (a) The government provides essential items of food grains almost free to the families below the poverty line. Which objective the government is trying to fulfill through the government budget and how? Explain. (2 Marks) 6
- (b) Do disinvestment and loan proceeds from abroad constitute revenue receipts of the government? Give reasons. (2 Marks)
- (c) Classify the following statements into revenue receipts and capital receipts give valid reasons in support of your answer.
- (i) Financial help from a multinational corporation for victims in a flood affected area
- (ii) Sale of shares of a public sector undertaking to a private company (2 Marks)

INDIAN ECONOMIC DEVELOPMENT (40 Marks)

18. Read the following statement on Assertion (A) Reason (R). (Choose the correct alternative) 1

Assertion (A): Postal services in colonial India were replaced by the expensive electric

Reason (R): Electric telegraph was introduced primarily to serve the British interest.

Alternatives:

- (A) Both Assertion(A) and Reason (R) are True and Reason is the correct explanation of Assertion
- (B) Both Assertion (A)and Reason (R) are True and Reason is not the correct explanation of Assertion
- (C) Assertion (A) is true but Reason (R) is false
- (D) Assertion (A) is false but Reason (R) is true

19. Read the following statement and choose one of the correct alternatives given below:

Statement (1) Economic reforms of 1991 created a growth path where all the sectors did not grow at the same pace.

Statement (2) Agriculture Sector after the introduction of economic reforms of 1991 experienced accelerating growth rate.

Alternatives:

- (A) Both the statement is true
- (B) Both the statement is false
- (C) Statement (1) true but statement (2) is false
- (D) Statement (2) true but statement (1) is false

20. Before introducing new technology, a firm provides the basic skills to the workers regarding its usage. This is which source of human capital formation? (Choose the correct alternative) 1

- (A) Study programme for adults
- (B) On the job training
- (C) Expenditure on information
- (D) Investment in education

21. Those who work in their own establishment using their own resources are called _____. 1
(Choose the correct alternative)

- (A) Hired workers
- (B) Casual workers
- (C) Regular workers
- (D) Self-employed

22. The institutional source of credit whose area of operation is the one where banking facilities and cooperatives are absent and which operate at the district level is: (Choose the correct alternative) 1

- (A) Regional rural bank
- (B) Commercial bank
- (C) Self-help group
- (D) NABARD

OR

The Self Help Groups) SHGs promote thrift in small proportions by a minimum contribution from each member. From the pooled money, credit is given to the needy members to be repayable in small installments at reasonable interest rates. Such credit provisions are generally referred to as _____ (Rural credit /Micro credit)

23. Absorptive capacity is defined as: (Choose the correct alternative) 1

- (A) Ability of the environment to absorb degradation
- (B) Resource generation within the assimilating capacity of the environment
- (C) Average number of organisms living in a given environment
- (D) The minimum population surviving in the world as a whole

24. Which source of human capital formation includes cost of transportation and higher cost of living? (Choose the correct alternative) 1
- (A) Expenditure on Migration
 - (B) On- the- Job Training
 - (C) Expenditure on information
 - (D) Expenditure on education

OR

Match and choose the correct combination.

(i) Preventive medicine	(A) Medical intervention during illness
(ii) Curative medicine	(B) Vaccination
(iii) Social medicine	(C) The spread of health literacy

- (A) (i) – (B); (ii) – (A); (iii) – (C)
 - (B) (i) – (A); (ii) – (B); (iii) – (C)
 - (C) (i) – (C); (ii) – (B); (iii) – (A)
 - (D) (i) – (B); (ii) – (C); (iii) – (A)
25. Rythu Bazaar and Hadaspar Mandi are examples of _____. (Choose the correct alternative) 1
- (A) Farmer’s markets
 - (B) Fair price shops
 - (C) Ration shops
 - (D) Food storage locations

26. Percentage of population participating in production activity is called (Choose the correct alternative) 1
- (A) Labour force
 - (B) Workforce
 - (C) Labour supply
 - (D) Participation rate

OR

_____ is a major source of livelihood for both men and women as this category accounts for more than 50% of India’s workforce. (Choose the correct alternative)

- (A) Self- employment
 - (B) Casual wage labour
 - (C) Regular salaried employment
 - (D) Foreign employment
27. Read the following statements - Assertion (A) and Reason (R). Choose the correct alternatives given below: 1

Assertion (A): Supply demand reversal of environmental resources is a major global environmental issue. It refers to a situation of environmental crisis where demand of environmental resources is much more than their supply.

Reason (R): Prior to industrialisation, urbanisation and phenomenal increase in population, the rate of resource extraction was less than the rate of regeneration of environmental resources. After industrialisation and increase in population, there is heavy pressure on the absorptive capacity of the environment.

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 false.
- (D) Assertion (A) is false but Reason (R). is true.

28. Discuss briefly, the rationale behind 'growth with equity' and 'equity with growth' as planning objectives for Indian economy. 3

OR

Though public sector is very essential for industries, many public sector undertakings incur huge losses and cause a drain of the economy's resources. Discuss the usefulness of public sector undertakings in the light of this fact.

29. Traditionally, Indian agriculture system, healthcare system, housing, transport, etc. – all practices have been environment friendly. Only recently have we drifted away from the traditional systems and caused large scale damage to the environment. Now, it is time to go back” give examples to support the given statement. 3

30. Read the following Case Study carefully and answer the given questions: 4

In his July 1991 Budget speech, marked by remarkable clarity. Dr. Manmohan Singh laid out his analysis of what was ailing the Indian economy at the time, and his strategy to revive it. His argument was that protection and state –supported industrialization had outlived their utility. The protection granted to industry had made it uncompetitive in the global market. This has hurt export growth, contributing to the Balance of Payments crises in 1991. The way out as Dr. Singh saw it was to open up the Indian economy so that Indian manufacturers could compete with global players in local conditions. Once they succeeded in the domestic market they would be able to find a place in the global market as well. India would then move from being, primarily an exporter of agricultural products to one that had a global presence in industrial products as well.

Questions:

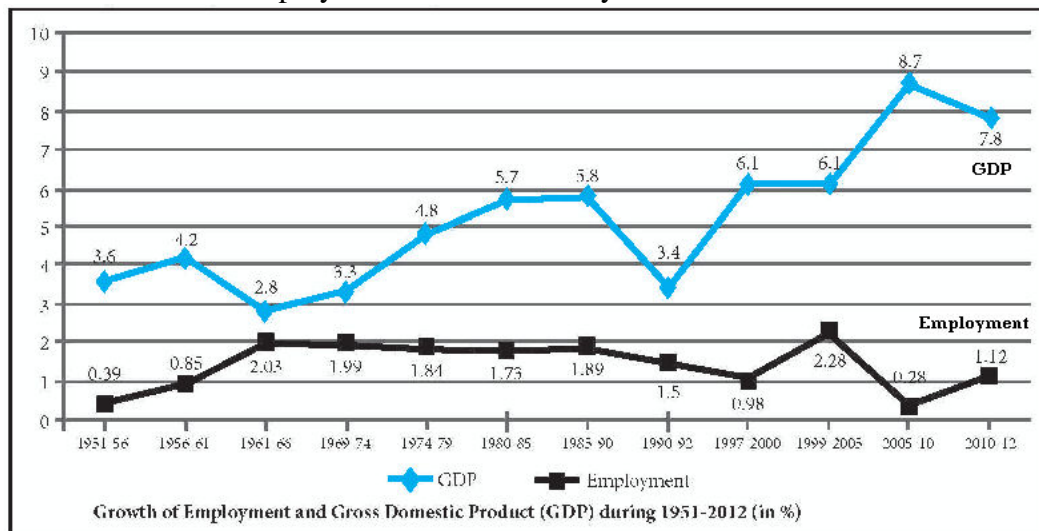
1. Economic reforms have_____ the role of public sector. (Increased/reduced)
 2. Industry, for which license is needed after 1991 _____
 - (A) Automobile industry, Textile industry
 - (B) Defence equipment, Atomic energy generation
 - (C) Glass industry, Cement industry
 - (D) Consumer goods industry, Machinery and Tools industry
 3. Which of the following is not a tax reform?
 - (A) Reduction in taxes
 - (B) Reforms in Indirect Taxes
 - (C) Simplification of Tax Process
 - (D) Devaluation of Rupee
 4. The state supported protective policy followed by the Indian economy was also referred to as:
 - (A) Liberalisation, Privatisation and Globalisation
 - (B) Liberal Quota and Permit
 - (C) Licence, Quota and Permit
 - (D) Licence, Quota and Privatisation.
31. Name any two non-institutional sources of rural credit and briefly explain the challenges faced by the rural people. What is the structure of institutional sources of rural credit? 4

OR

An important change in the diversification of productive activities, Organic farming is becoming a popular option for farmers. Briefly explain any two advantages and any two

disadvantages of organic farming as compared to conventional farming.

32. (a) Name any two indicators of economic development that suggest a Growth and Changing Structure of Employment 4
- (b) Read the given data graph carefully and answer the following questions
- (i) The average rate of growth of employment between 1950 – 2010
- (ii) What is the widening gap between GDP growth rate and rate of employment referred to as by some scholars?



33. The process of globalisation through liberalisation and privatisation policies has produced positive, as well as, negative results for India and other countries.” Defend or refute the above statement by briefly explaining any three positive and any three negative impact of globalization for India. 6
34. (a) Education is considered an important input for the development of a nation. How? 6
- (b) “Human capital formation give birth to innovation, invention and technological improvement” Do you agree with the given statement? Support your answer with valid argument.

OR

Discuss any three steps taken by the government in the direction of improving agricultural marketing system in India, since Independence.

******END OF THE QUESTION PAPER******