



**COMMON PRE-BOARD EXAMINATION**  
**SUBJECT: ECONOMICS**  
**CLASS XII – SESSION 2022-23**



**Time allowed: 3 Hrs.**

**Maximum marks: 80**

**GENERAL INSTRUCTIONS:**

1. This question paper contains two sections:  
Section A – Macro Economics (40 marks)  
Section B – Indian Economic Development. (40 marks)
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: INTRODUCTORY MACRO ECONOMICS**

1. **Read the following statements carefully:** [1]  
**Statement 1:** Balance of Payment performance of a country impacts its monetary and fiscal policies.  
**Statement 2:** Balance of Payment data does not offer any information on net factor income from abroad.  
**In the light of the given statements, choose the correct alternative:**
  - a. Statement 1 is true and statement 2 is false.
  - b. Statement 1 is false and statement 2 is true.
  - c. Both Statement 1 and 2 are true.
  - d. Both Statement 1 and 2 are false.
2. **Read the following statement-Assertion (A) and Reason (R). Choose one of the correct alternatives given below.** [1]  
**Assertion (A):** Ex- post investment can be less than ex ante investment.  
**Reason (R):** Equilibrium GDP is struck only when planned saving = planned investment.  
**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-Assertion (A) and Reason (R). Choose one of the correct alternatives given below.

**Assertion (A):** Aggregate demand is measured as the sum total of planned expenditure on the goods during accounting year.

**Reason (R):** It is not possible to add up physical quantities of the goods and services planned to be purchased by the people.

**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.



[1]

On the basis of the above diagram, choose the correct alternative to be filled in the given blank.

- a. Money flow
  - b. Real flow
  - c. Circular flow
  - d. none of the above
4. Identify the correct pair of formula from the following column I and II: (Choose the correct alternative)

[1]

Column I	Column II
A Current Account Surplus	i. Receipts < Payments
B Current Account Surplus	ii. Receipts > Payments

C Balance Current Account	iii. Receipts $\neq$ Payments
D Current Account Deficit	iv. Receipts $\leq$ Payments Alternatives

- a. A - i
- b. B - ii
- c. C - iii
- d. D - iv

5. Identify which of the following statements is true? (Choose the correct alternative) [1]
- a. The flexible exchange rate system gives the government more flexibility to maintain large stocks of foreign exchange reserves.
  - b. In the Managed floating exchange rate system, the government intervenes to buy and sell foreign currencies.
  - c. In the Managed floating exchange rate system, the central bank intervenes to moderate exchange rate fluctuations.
  - d. In the Fixed exchange rate system, market forces fix the exchange rate
6. If in an economy the value of Net Factor Income from Abroad is ₹ 200 crores and the value of Factor Income to Abroad is ₹ 40 crores. Identify the value of Factor Income from Abroad. (Choose the correct alternative) [1]
- a. ₹ 200 crores
  - b. ₹ 160 crores
  - c. ₹ 240 crores
  - d. ₹ 180 crores
7. The impact of "Excess Demand" under Keynesian theory of income and employment, in an economy are: (choose the correct alternative) [1]
- a. decrease in income, output, employment and general price level.
  - b. decrease in nominal income, but no change in real output.
  - c. increase in income, output, employment and general price level.
  - d. no change in output/employment but increase in general price level.
8. The Government can achieve its budget objective of 'Redistribution of Income' by \_\_\_\_\_ (Fill up the blank with correct alternative)
- a. managing the General Price Level in the economy to the desired level.
  - b. increasing the Gross Domestic Products (GDP) of the economy.
  - c. bringing the production of goods and services under its direct and absolute control.
  - d. rationalisation of taxes in pro-poor direction.

9. The Government of India has decided to vaccinate the adult population of India with Covaxin/Covishield, without any charge. This would be categorized as \_\_\_\_\_ (Fill in the blank with correct alternative) [1]

- a. revenue nature income
- b. capital nature expenditure
- c. revenue nature expenditure
- d. capital nature income

10. Demand Deposits include \_\_\_\_\_ and \_\_\_\_\_. (Fill up the blank with correct alternative) [1]

- I. Saving account deposits
- II. Fixed deposits
- III. Current Account Deposits
- IV. Post Office Savings

Alternatives:

- a. i and ii
- b. ii and iii
- c. i and iii
- d. i and iv

11. "Devaluation and depreciation of currency are one and the same thing." Do you agree with this statement. How do they affect the exports of a country? [3]

**OR**

What is meant by official reserve transaction? Discuss their importance in balance of payments.

12. "GDP may not be an appropriate index of welfare of the people." Explain the statement. [3]

13. Calculate the value of Marginal Propensity to Consume (MPC), if in an economy, autonomous consumption is ₹ 500 crores, ex-ante investments are ₹ 4000 crores and equilibrium level of Income of the economy is ₹ 18,000 crores. [4]

14. **Read the following passage carefully and answer the questions based on the same.** [4]

The financial system, especially banking facilitates efficient allocation of resources from savers to investors and plays an important role in economic growth. The banks are conduits in channeling resources to borrowers with productive investment opportunity. The banking system provides financial intermediaries and create money supply. The process of bank credit is an important channel of monetary policy transmission. Banks accept and deploy large amounts of public funds as well as leverage such funds through credit creation. The main functions of the banking system are to mobilize resources from the public and channel them into growth-oriented activities. The more developed the

banking system is, better would be the financial intermediaries. The banking system with its widespread network is more effective in collecting savings from the public and allocating it to productive activities. The objective of monetary policy is to stabilize the financial system including inflation while that of the fiscal policy is to provide conducive environment for growth through managing taxes and expenditure.

- A. What is credit creation?
- B. Explain, using a numerical example, how an increase in reserve deposit ratio affects the credit creation power of the banking system.

15. A. Explain how the government can use the budgetary policy in reducing inequality of income in the economy. [4]
- B. Distinguish between revenue receipts and capital receipts of the government. (Any two points)

OR

- A. Distinguish between fiscal deficit and revenue deficit in a Government Budget. (Any two points)
- B. In the budget 2016, the government had hinted at lowering its expenditure on subsidies. Examine the economic value of this policy.

16. A. 'An economy is operating at under-employment level of income'. What is meant by the given statement? Draw diagram to validate the statement. Discuss one fiscal measure and one monetary measure to tackle the situation. [4]

- B. 'As the income increases, people tend to save more'. Justify the given statement. [2]

17. A. Defend or refute the given statement with valid argument. [3]

1. "Gross investment is always greater than net investment."
2. "Net factor income from abroad can never be negative."

- B. Calculate Net Value Added at Factor Cost from the following data: [3]

S.No	Particulars	Amount (in ₹crores)
I.	Durable use producer goods with a life span of 10 years	10
II.	Single use producer goods	5
III.	Domestic sales	13
IV.	Unsold output produced during the year	2
V.	Taxes on production	1
VI.	Exports	7

## SECTION B: INDIAN ECONOMIC DEVELOPMENT

18. Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below: [1]

**Assertion (A):** Pakistan followed a process of import substitution in the initial years of independence.

**Reason (R):** Its main goal was to provide protection to domestic producers.

**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 statements and choose one of the correct alternatives given below:**

**Statement 1:** The Skill India programme was launched by Government of India in order to increase human capital formation.

**Statement 2:** Human capital formation refers to the stock of skill and expertise of a nation at a point of time.

**Alternatives:**

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

19. In the 20<sup>th</sup> century, under British rule, India had an export surplus. Where was this surplus used? [1]
- a. To invest in capital goods industries in India.
  - b. To invest in capital goods industries in Britain.
  - c. To meet the official and war expenses of the British.
  - d. To pay the salaries of Indian government employees.

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

Column I	Column II
A. Casual Worker	(i) Skilled workers
B. Labour force	(ii) All persons willing to work as well as unwilling to work

C. Rate of participation	(iii) Participation of people in production activity
D. Informal workers	(iv) Entitled to social security benefits

Alternatives:

- a. A – (i)
- b. B – (ii)
- c. C – (iii)
- d. D – (iv)

21. Under \_\_\_\_\_, peasants pooled their land to create larger fields that could yield greater output and shared farm implements. (Fill up the blank with the correct alternative) [1]

- a. Commune system
- b. Joint farming system
- c. Great proletarian cultural revolution
- d. None of them

22. Read the following statements carefully and choose the correct alternatives given below: [1]

Statement 1 – Subsidies do not add any burden on the financial health of a nation.

Statement 2 – Complete removal of subsidies may violate the aim of equitable distribution of income.

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. Identify the incorrect statement from the following: (Choose the correct alternative) [1]

- a. Diversification in agriculture sector provides sustainable livelihood rural population.
- b. Diversification includes - change in cropping pattern, shift of workforce from agriculture to other allied activities and non-agriculture sector.
- c. Objective of investment in new agricultural avenues (non-farm activities) increases financial risks for the rural population.
- d. Diversification reduces the proportion of unemployed population in the rural areas to considerable limits

24. Sustainable development refers to \_\_\_\_\_. (Fill up the blank with the correct alternative) [1]

- a. long term increase in real per capita income.

- b. Long term increase in economic welfare
- c. Increase in real per capita income along with equitable distribution both for the present and future generations.
- d. All of the above.

25. Match the situations given in Column I with their respective implications given in Column II: (Choose the correct alternative) [1]

Column I	Column II
A. Migration	i. reduced in per capita economic growth
B. Low level of academic standards	ii. Imbalance between demand and supply of human resource
C. Population- High Growth rate	iii. Brain Drain
D. Lack of proper manpower planning	iv. Mismatch between required skill and academic standards

- a. A-ii; B-iii; C-iv; D-i
- b. A-iii; B-iv; C-i; D-ii
- c. A-i; B-ii; C-iii; D-iv
- d. A-ii; B-iv, C-i; D-iii

26. The maximum size of cultivable land holding that an individual can own is known as \_\_\_\_\_. [1]

- a. subsistence farming
- b. small holding
- c. consolidation of holding
- d. ceiling on holding

27. Read the following statements carefully: [1]

**Statement 1:** Lack of awareness and willingness on the part of farmers to adapt new technology acts as a hindrance in adaptability towards organic farming.

**Statement 2:** Organic produce has a shorter shelf life than sprayed produce.

**In the light of the given statements, choose the correct alternative:**

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

28. Why is an extremely high percentage of female workforce in rural areas engaged in primary sector compared to male workforce? [3]

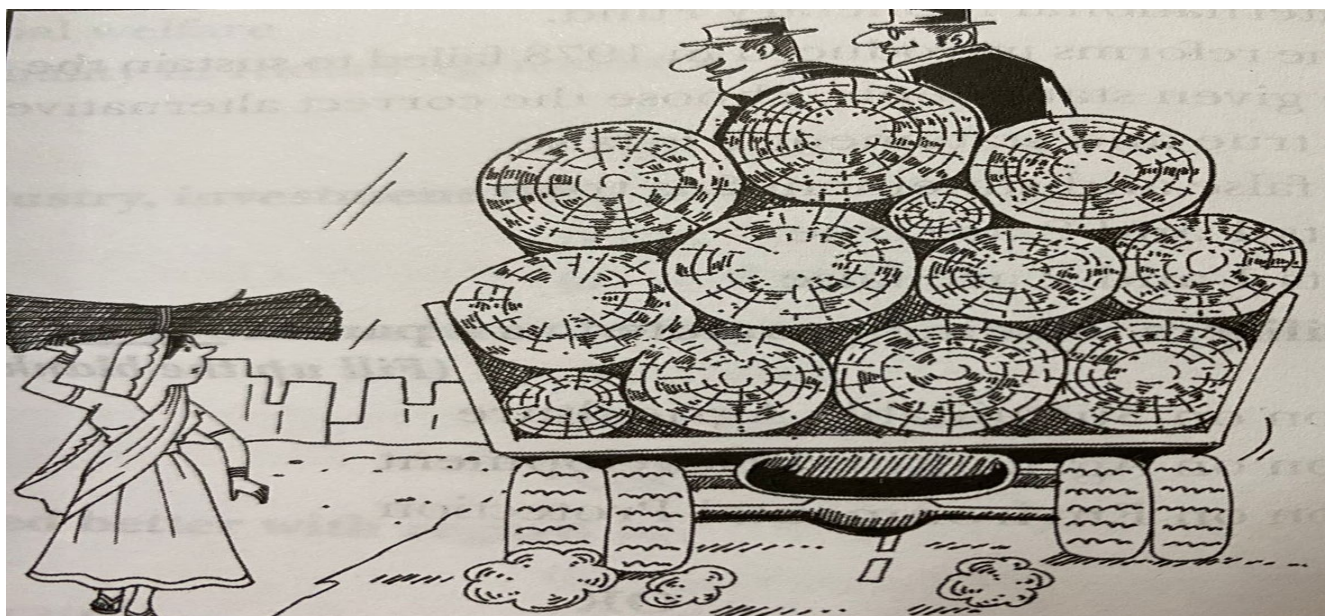


OR

Critically evaluate the role of rural banking system in the process of rural development in India?

29. Interpret the given picture on account of environmental degradation in India.

[3]



30. A. "Modernization as a planning objective shows a dichotomy with employment generation".

[4]

Justify the statement.

B. State the two –fold motive for the systematic destabilization of indigenous Indian industries in the British era.

31. Compare and analyse the given data on distribution of workforce in 2018-2019 with valid reasons.

[4]

Country	Agriculture (%)	Industry (%)	Services (%)
India	43	25	32
China	26	28	46
Pakistan	41	24	35

Source: World Development Indicators (2019)

OR

Compare and analyse the given data on demographic profile in 2018-2019 with valid reasons.

Country	Estimated population (in million)	Annual growth of population (in %)	Sex ratio	Density (Per sq. km)
India	1352	1.2	924	455
China	1393	0.5	949	148
Pakistan	212	2.1	943	275

Source: World Development Indicators (2019)

32. Read the following text carefully and answer the given questions on the basis of the same and common understanding. [4]

In light of most potential benefits of international trade such as increased sales and revenue, cost reductions, technology transfers, the search for higher quality products, industry development, general economic development etc. several countries have surprisingly either chosen to abstain altogether from the practice of trading goods and services with other nations or simply imposed economic and regulatory hurdles designed to drastically restrict the flow of tradable goods and services across their borders. More specifically, countries such as China, India and even United States to a certain extent at some point in their history, subscribed to one form of protectionism or trade control.

**Source:** Kishore Kulkarni, *International journal of Economic Research*. 2008

- A. State any two implications of Inward-looking trade strategy adopted by India from 1950 – 1990.
- B. State and explain the different forms of protection that can be used by an economy as a medium to restrict imports.
33. A. “If the rate of resource extraction exceeds the rate of regeneration, it leads to reduction in carrying capacity of the environment.” Discuss the rationale of the given statement with valid reasons. [3]
- B. Discuss any three steps taken by the government in the direction of improving agricultural marketing system in India, since independence. [3]

**OR**

- A. In recent times the Indian Economy has experienced the problem of casualization of the workforce. This problem has only been aggravated by the outbreak of COVID-19.’ Do you agree with the given statement? Discuss any two disadvantages of casualization of the workforce in the light of the above statement. [3]
- B. Why was there a need for state led industrial development in the country on the eve of independence? Explain. [3]
34. A. “Agriculture sector appears to be adversely affected by the economic reform process.” Explain the given statement. [3]
- B. “India has failed to implement the recommendations of Education Commission of 1964-1966.” [3]  
Give valid arguments in support of the given statement