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INDIAN SCHOOL MUSCAT

SECOND PRE BOARD EXAMINATION

ECONOMICS

CLASS: XII

Sub. Code: 030

Time Allotted: 3 Hrs.

06.04.2021

Max. 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 (including two Case Based Questions) are 1 mark questions and are to be answered in one word/sentence.
4. Case Based Questions (CBQ's) are Question No. 7 & 8 and Question No. 24 - 27.
5. Question No. 11-12 and Question No. 28 – 29 are 3 marks questions and are to be answered in 60 - 80 words each.
6. Question No. 13-15 and Question No. 30 – 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.

PART A – MACRO ECONOMICS

- 1 Involuntary unemployment is included while estimating total unemployment of the country. 1
(True/False)
- 2 Read the following statements - Assertion (A) and Reason (R). Choose one of the correct 1
alternatives given below:
Assertion (A): Change in taste and preference of Indian consumers towards MNCs and imported goods leads to decrease in its GDP.
Reason (R): Expenditure on imports of goods is subtracted from final expenditure in order to estimate GDP.
(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

- 3 Identify the correct pair from the following column I and II: (Choose the correct alternative) 1

Column I		Column II	
A	Open market operations	(i)	Qualitative Measure
B	Margin Requirement	(ii)	Minimum ratio of total bank deposits which banks have to keep with themselves
C	Banker's bank	(iii)	Function of Central Bank
D	Reserve Requirement	(iv)	Sale and Purchase of Securities

Alternatives :

- (a) A - (i)
 - (b) B -(ii)
 - (c) C- (iii)
 - (d) D -(iv)
- 4 The value of multiplier is.....related with marginal propensity to save while with.....marginal propensity to consume. (Fill up the blank with correct alternatives) 1
- (a) Directly, Directly
 - (b) Directly, Inversely
 - (c) Inversely, Directly
 - (d) Inversely, Inversely
- 5 Identify which of the following statement is true relating to deficit in balance of payment account: 1
(Choose the correct alternative)
- (a) Payments of the country exceed receipts of the country.
 - (b) Payments and receipts of the country are balanced.
 - (c) There is an increase in the official reserves of the country.
 - (d) Payment of the country are less than receipts of the country.
- 6 Which of the following is not true for MPC in an economy? (Choose the correct alternative) 1
- (a) MPC can be zero.
 - (b) MPC lies between zero and one.
 - (c) MPC can exceed one
 - (d) None of these

Read the following paragraph carefully and answer the questions on the basis of the same:—

Demand deposits are an important constituent of money supply and the expansion of demand deposits means the expansion of money supply. The entire structure of banking is based on credit. Credit basically means getting the purchasing power now and promising to pay at some time in the future. Bank credit means bank loans and advances. A bank keeps a certain part of its deposits as a minimum reserve to meet the demands of its depositors and lends out the remaining to earn income. The loan is credited to the account of the borrower. Every bank loan creates an equivalent deposit in the bank. Therefore, credit creation means expansion of bank deposits.

- 7 Money multiplier and CRR are _____ (directly/indirectly) related to each other. 1

- 8 Apart from the CRR, banks are also required to keep some reserves in liquid form in the short term. This ratio is called _____. (Fill in the blank) 1
- 9 Accommodating items are also known as.....and autonomous items are also known as..... (fill up the blank with correct answer) 1
- (a) above the line, below the line
(b) below the line, above the line
(c) invisible, visible
(d) visible, invisible
- 10 Fill in the blanks with correct option 1
- Exports of goods is entered as a _____ item in Balance of Trade, whereas import of goods is entered as a _____ item in Balance of Trade. (debit/credit)
- 11 "A country with trade deficit cannot have current account surplus in its Balance of Payments". Do you agree with given statement? Discuss with reason. 3
- 12 Define Nominal GDP and Real GDP 3
- OR**
- 'Composition of GDP may also be a limitation of using GDP as an index of social welfare'. Justify the given statement with the help of an example.
- 13 Explain M1 and M3 measures of money supply. 4
- OR**
- Explain any two functions of Central Bank.
- 14 Explain determination of income and employment with the help of consumption and investment approach. 4
- 15 Suppose in a hypothetical economy, the savings increase by ₹20 crore when national income increases by ₹100 crore. Compute the additional investments needed to attain an increase in national income by ₹6,000 crore. 4
- 16 Find Operating surplus and Domestic Income. 6
- | S. No. | Items | (₹ in Crores) |
|--------|------------------------------|---------------|
| (i) | Compensation of employees | 2,000 |
| (ii) | Rent & Interest | 800 |
| (iii) | Indirect taxes | 120 |
| (iv) | Corporation tax | 460 |
| (v) | Consumption of fixed capital | 100 |
| (vi) | Subsidies | 20 |
| (vii) | Dividend | 940 |
| (viii) | Undistributed profits | 300 |
| (ix) | Net Factor Income to Abroad | 150 |
| (x) | Mixed income | 200 |
- 17 (a) Explain Revenue receipts, capital receipts and revenue expenditure.
(b) Distinguish between Direct taxes and Indirect taxes. 6

OR

- (a) Explain revenue deficit, fiscal deficit and primary deficit
- (b) What are the implications on the economy of a large fiscal deficit and how it can be controlled?

PART 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): Every year government fixes a target for disinvestment of Public Sector Enterprises (PSEs).

Reason (R): Disinvestment is an excellent tool for discarding the loss incurring Public Sector Enterprises (PSEs).

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.

- 19 Choose the correct pair of statement from the following column I and column II: 1

Column I		Column II	
A	One child policy	(i)	India
B	Jobless growth process	(ii)	China
C	Problem of environmental degradation	(iii)	Pakistan
D	Commune system of farming	(iv)	Collective farming

Alternatives:

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

- 20 Which of the following is a goal of five years plan? 1

- (a) Growth
- (b) Modernisation
- (c) Self-reliance
- (d) All of these

- 21 The stagnation in the agricultural sector during the colonial rule was caused mainly because of _____ that were introduced by the colonial government. (Fill up the blank with correct answer) 1

- 22 _____ campaign was initiated in China in 1958, aimed at industrialising the country on a massive scale. People were encouraged to set up industries in their backyards. (Fill up the blank with the correct answer) 1

- 23 The thrust of the New Economic Policy (NEP) was _____. (Choose the correct alternative) 1

- (a) To create a more competitive environment in the economy and removing the barriers to entry and growth of firms.

- (b) To maintain sufficient foreign exchange reserves and keep the rising prices under control.
- (c) To improve the efficiency of the economy and increasing its internal competitiveness by removing the rigidities in various segments of the Indian economy.
- (d) To meet the challenges like unemployment, poverty and population explosion.

Read, the following hypothetical Case Study, carefully and answer the question numbers 24 - 27 on the basis of the same.

For ages, farmers and cultivators in India have taken recourse to debt. In earlier times the debt was taken from informal sources. After independence with the attempts of the government, the formal sector has actively developed. Farmers borrow money not only to fulfill the investment needs but also to meet their individual requirement.

Uncertainty of income caused by factors like crop failure caused by irregular rainfall, reduction in the ground water table, locust/other pest attacks, etc. These reasons push them in to the clutches of the private money lenders, who charge exorbitant rates of interest which add to their miseries. Various governments in India, at different times for different reasons, introduced debt relief/waiver schemes. These schemes are used by government as a quick means to extricate farmers from their indebtedness, helping to restore their capacity to invest and produce, in short, to lessen the miseries of the farmers across India. The costs and benefits of such debt relief schemes are, however, a widely debated topic among economists. Some economists argue that such schemes are extremely beneficial to the poor and marginalized farmers while others argue that these schemes add to the fiscal burden of the government, others believe that these schemes may develop the expectation of repeated bailouts among farmers which may spoil the credit culture among farmers

- | | | |
|--|---|---|
| 24 | The debt waiver schemes reduce the burden of (indebtedness/personal spending) _____ for poor farmers and this is argued as very beneficial by many economists. | 1 |
| 25 | ----- (Small Industries Development Bank of India/ Regional Rural Banks) is mainly expected to provide credit to farmers at cheaper rates to help them with their finances. | 1 |
| 26 | Some economists argue that debt waiver schemes are non-beneficial because they lead to..... (fiscal burden of the government/monetary burden in market) | 1 |
| 27 | The income of farmers is uncertain, this is because of ----- (less availability of loans/irregular rainfall) | 1 |
| 28 | What is meant by environment? What happens when the rate of resource extraction exceeds that of their regeneration? | 3 |
| 29 | Human development is different from human capital. Defend the statement with valid arguments. | 3 |
| OR | | |
| Explain the role of government in developing rural market. | | |
| 30 | Name the two forms of foreign investment. Why has the reform process been widely criticised by some economists? | 4 |
| 31 | ‘The wealth of India drained during the colonial period’, Explain this statement. | 4 |

- 32 Compare the growth of China, India, and Pakistan based on the given data:

4

Annual Growth of Gross Domestic Product in Percent (1980-2015)

Country	1980-90	2011-15
India	5.7	6.7
China	10.3	7.9

Source : Key indicators for Asia and Pacific 2016, Asian Development Bank, Philippines

- 33 State, giving valid reasons whether the following statements are true or false.

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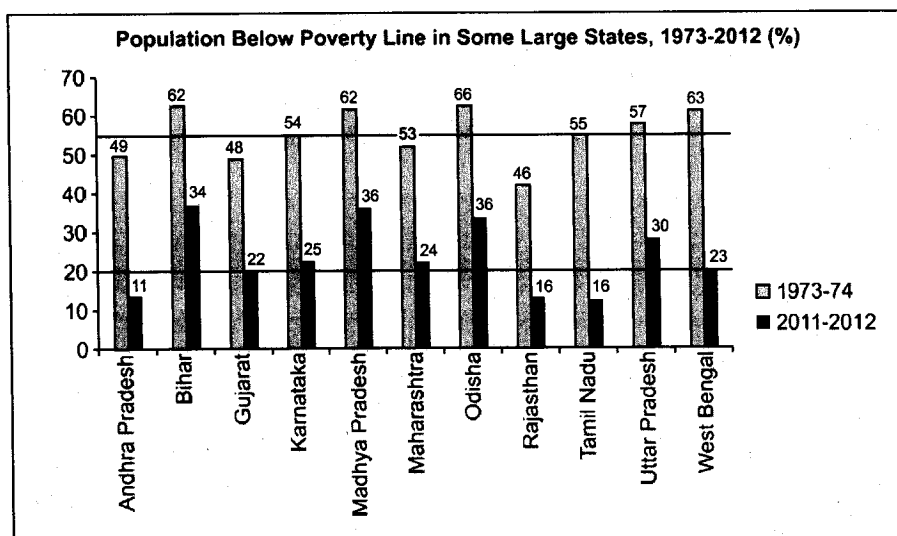
- Dadabhai Naoroji used the menu for a prisoner and used appropriate prevailing prices to arrive at what may be called 'jail cost of living'.
- Government is the major formal sector employer in the country.
- In the 1990s, the absolute number of poor in rural areas had increased whereas the number of their urban counterparts decreased marginally.

- 34 Discuss the three dimensional attack on poverty adopted by the government of India for the poverty alleviation.

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OR

- Explain the relationship between unemployment and poverty.
- Study the graph given below showing the population below poverty line and analyse the trend of poverty from 1973 to 2012.



Note: For the year (1973, Uttar Pradesh includes the present Uttarakhand. Madhya Pradesh includes Chhattisgarh and Bihar includes Jharkhand. Source: Indian Economic Development)

End of the Question Paper