

ACADEMIC WINDOW

ECONOMICS

GRADE 12

2023-24

### **Note from HOD**

Economics equips learners with knowledge, skills, values, and attitudes that will enable them to participate in, contribute to, adapt to and survive in a complex economic society. Application and practical use of all learning is today's need. With this perspective CBSE has laid great emphasis on the student's ability to reason and analyze all learning and subsequently evaluate and gainfully apply all concepts taught.

The Academic Window 2023-24 will help the students structure their preparation on one hand and gain a comprehensive grasp of the subject matter on the other hand. It is a valuable tool in the hands of the teacher as she can utilize it effectively to reinforce all learning and for the student every chapter has been summarized and all key concepts highlighted. Students can utilize the carefully prepared assignments, covering all important questions and HOTS, to prepare extensively and intensively for the boards!

All the best!!

Hema Narula  
Head of Department

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**ECONOMICS**  
**CLASS - XII (2023-24)**

**Theory: 80 Marks**

**3 Hours**

**Project: 20 Marks**

<b>Units</b>		<b>Marks</b>	<b>Periods</b>
<b>Part A</b>	<b>Introductory Macroeconomics</b>		
	National Income and Related Aggregates	10	30
	Money and Banking	06	15
	Determination of Income and Employment	12	30
	Government Budget and the Economy	06	17
	Balance of Payments	06	18
		40	
<b>Part B</b>	<b>Indian Economic Development</b>		
	Development Experience (1947-90) and Economic Reforms since 1991	12	28
	Current Challenges facing Indian Economy	20	50
	Development Experience of India – A Comparison with Neighbours	08	12
	<b>Theory Paper (40+40 = 80 Marks)</b>	40	
			200
<b>Part C</b>	<b>Project Work</b>	<b>20</b>	<b>20</b>

## Part A: Introductory Macroeconomics

## **Unit 1: National Income and Related Aggregates**

30 Periods

## What is Macroeconomics?

Basic concepts in macroeconomics: consumption goods, capital goods, final goods, intermediate goods; stocks and flows; gross investment and depreciation.

Circular flow of income (two sector model); Methods of calculating National Income - Value Added or Product method, Expenditure method, Income method.

## Aggregates related to National Income:

Gross National Product (GNP), Net National Product (NNP), Gross Domestic Product (GDP) and Net Domestic Product (NDP) - at market price, at factor cost; Real and Nominal GDP

## GDP Deflator, GDP and Welfare

<b>Unit 2: Money and Banking</b>	<b>15 Periods</b>
Money – meaning and functions, supply of money - Currency held by the public and net demand deposits held by commercial banks.	
Money creation by the commercial banking system.	
Central bank and its functions (example of the Reserve Bank of India): Bank of Issue, Govt. Bank, Banker's Bank, Control of Credit through Bank Rate, Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), Repo Rate and Reverse Repo Rate, Open Market Operations, Margin requirement.	
<b>Unit 3: Determination of Income and Employment</b>	<b>30 Periods</b>
Aggregate demand and its components.	
Propensity to consume and propensity to save (average and marginal).	
Short-run equilibrium output; Investment multiplier and its mechanism.	
Meaning of full employment and Involuntary unemployment.	
Problems of excess demand and deficient demand; measures to correct them – changes in government spending, taxes and money supply.	
<b>Unit 4: Government Budget and the Economy</b>	<b>17 Periods</b>
Government budget - meaning, objectives and components.	
Classification of receipts - revenue receipts and capital receipts;	
Classification of expenditure – revenue expenditure and capital expenditure.	
Balanced, Surplus and Deficit Budget – measures of government deficit.	
<b>Unit 5: Balance of Payments</b>	<b>18 Periods</b>
Balance of payments account - meaning and components;	
Balance of payments – Surplus and Deficit	
Foreign exchange rate - meaning of fixed and flexible rates and managed floating.	
Determination of exchange rate in a free market, Merits and demerits of flexible and fixed exchange rate.	
Managed Floating exchange rate system	

## **Part B: Indian Economic Development**

### **Unit 6: Development Experience (1947-90) and Economic Reforms since 1991:**

**28 Periods**

A brief introduction of the state of Indian economy on the eve of Independence.  
Indian economic system and common goals of Five Year Plans.

Main features, problems and policies of agriculture (institutional aspects and new agricultural strategy), Industry (IPR 1956; SSI – role & importance) and foreign trade.

#### **Economic Reforms since 1991:**

Features and appraisals of liberalisation, globalisation and privatisation (LPG policy);  
Concepts of demonetization and GST

### **Unit 7: Current challenges facing Indian Economy**

**60 Periods**

**Human Capital Formation:** How people become resource; Role of human capital in economic development; Growth of Education Sector in India

**Rural development:** Key issues - credit and marketing - role of cooperatives; agricultural diversification; alternative farming - organic farming

**Employment:** Growth and changes in work force participation rate in formal and informal sectors; problems and policies

**Sustainable Economic Development:** Meaning, Effects of Economic Development on Resources and Environment, including global warming

### **Unit 8: Development Experience of India:**

**12 Periods**

A comparison with neighbours

India and Pakistan

India and China

Issues: economic growth, population, sectoral development and other Human Development Indicators

## **Part C: Project in Economics**

**20 Periods**

#### **Prescribed Books:**

1. Statistics for Economics, NCERT
  2. Indian Economic Development, NCERT
  3. Introductory Microeconomics, NCERT
  4. Macroeconomics, NCERT
  5. Supplementary Reading Material in Economics, CBSE
- Note: The above publications are also available in Hindi Medium.

**Suggested Question Paper Design**  
**Economics (Code No. 030)**  
**Class XII (2023-24)**  
**March 2024 Examination**

Marks: 80

Duration: 3 hrs.

SN	Typology of Questions	Marks	Percentage
1	Remembering and Understanding: Exhibit memory of previously learned material by recalling facts, terms, basic concepts, and answers. Demonstrate understanding of facts and ideas by organizing, comparing, translating, Interpreting, giving descriptions, and stating main Ideas	44	55%
2	Applying: Solve problems to new situations by applying acquired knowledge, facts, techniques and rules in a different way.	18	22.5%
3	Analysing, Evaluating and Creating: Examine and break Information into parts by Identifying motives or causes. Make Inferences and find evidence to support generalizations. Present and defend opinions by making judgments about Information, validity of Ideas, or quality of work based on a set of criteria. Compile Information together in a different way by combining elements in a new pattern or proposing alternative solutions.	18	22.5%
<b>Total</b>		<b>80</b>	<b>100%</b>

## **Guidelines for Project Work in Economics (Class XI and XII)**

The objectives of the project work are to enable learners to:

- probe deeper into theoretical concepts learnt in classes XI and XII
- analyse and evaluate real world economic scenarios using theoretical constructs and arguments
- demonstrate the learning of economic theory
- follow up aspects of economics in which learners have interest
- develop the communication skills to argue logically

The expectations of the project work are that:

- learners will complete only ONE project in each academic session
- project should be of 3,500-4,000 words (excluding diagrams & graphs), preferably hand-written
- It will be an independent, self-directed piece of study

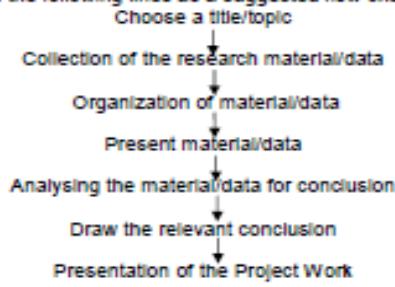
Role of the teacher:

The teacher plays a critical role in developing thinking skills of the learners. A teacher should:

- help each learner select the topic based on recently published extracts from the news media, government policies, RBI bulletin, NITI Aayog reports, IMF/World Bank reports etc., after detailed discussions and deliberations of the topic
- play the role of a facilitator and supervisor to monitor the project work of the learner through periodic discussions
- guide the research work in terms of sources for the relevant data
- educate learner about plagiarism and the importance of quoting the source of the information to ensure authenticity of research work
- prepare the learner for the presentation of the project work
- arrange a presentation of the project file

Scope of the project:

Learners may work upon the following lines as a suggested flow chart:





**Expected Checklist:**

- Introduction of topic/title
- Identifying the causes, consequences and/or remedies
- Various stakeholders and effect on each of them
- Advantages and disadvantages of situations or issues identified
- Short-term and long-term implications of economic strategies suggested in the course of research
- Validity, reliability, appropriateness and relevance of data used for research work and for presentation in the project file
- Presentation and writing that is succinct and coherent in project file
- Citation of the materials referred to, in the file in footnotes, resources section, bibliography etc.

**Mode of presentation/ submission of the Project:**

At the end of the stipulated term, each learner will present the research work in the Project File to the External and Internal examiner. The questions should be asked from the Research Work/ Project File of the learner. The Internal Examiner should ensure that the study submitted by the learner is his/her own original work. In case of any doubt, authenticity should be checked and verified.

**Marking Scheme:**

Marks are suggested to be given as –

S. No.	Heading	Marks Allotted
1.	Relevance of the topic	3
2.	Knowledge Content/Research Work	6
3.	Presentation Technique	3
4.	Viva-voce	8
	Total	20 Marks

**Suggestive List of Projects:**

Class XII	
• Micro and Small Scale Industries	• Food Supply Channel In India
• Contemporary Employment situation In India	• Disinvestment policy of the government
• Goods and Services Tax Act and Its Impact on GDP	• Health Expenditure (of any state)
• Human Development Index	• Inclusive Growth Strategy
• Self-help group	• Trends In Credit availability In India
• Monetary Policy Committee and Its functions	• Role of RBI In Control of Credit
• Government Budget & Its Components	• Trends In budgetary condition of India
• Exchange Rate determination – Methods and Techniques	• Currency War – reasons and repercussions
• Livestock – Backbone of Rural India	• Alternate fuel – types and importance
• Sarva Shiksha Abhiyan – Cost Ratio Benefits	• Golden Quadrilateral- Cost ratio benefit
• Minimum Support Prices	• Relation between Stock Price Index and Economic Health of a Nation
• Waste Management In India – Need of the hour	• Minimum Wage Rate – Approach and Application
• Digital India- Step towards the future	• Rain Water Harvesting – A solution to water crisis
• Vertical Farming – An alternate way	• Silk Route- Revival of the past
• Make in India – The way ahead	• Bumper Production- Boon or Bane for the farmer
• Rise of Concrete Jungle- Trend Analysis	• Organic Farming – Back to the Nature
• Aatmanirbhar Bharat	• e-Rupee (e-₹)
• Sri Lanka's Economic Crisis	• Sustainable Development Goals (SDG's)
• Environmental Crisis	• Comparative Study of Economies (Maximum three economies)
• New Education Policy (NEP) 2020: A Promise for a New Education System	• G-20: Inclusive and Action Oriented
• Amrit Kaal: Empowered and Inclusive Economy	• Cashless Economy
• Any other newspaper article and its evaluation on basis of economic principles	• Any other topic

## PART A- MACRO ECONOMICS

### **UNIT 1 – NATIONAL INCOME AND RELATED AGGREGATES**

Points to remember:

**Circular flow of income:** In every economy, the process of production, distribution and disposition goes on simultaneously in a circular manner.

Meaning of Circular flow of income – refers to flow of money income or the flow of goods and services across different sectors of an economy in a circular form.

Types of circular flow

Real flow shows flow of goods and services across different sectors. Money flow shows flow of money across different sectors.

Circular flow of income in a two-sector economy

The economy is divided into two sectors (a) Household sector (b) Firm sector

In a simple economy

(a) Total production of goods and services by firms = total consumption of goods and services by Household sector

(b) Factor payments by Firms = Factor incomes of Households

(c) Consumption expenditure of Households = Income of firm's sector

(d) Real flow of production and consumption of Firms and Households = Money flow of income and expenditure of Firms and Households.

Injections and Leakages

- Injection is an addition to circular flow of income – Savings (S) + Taxes(T) + Imports(M)
- Leakages are withdrawals from a circular flow of income – Investment (I) + Government Purchases (G) + Exports (X)

Stock and flow

- Stock means that quantity of an economic variable which is measured at a particular point of time.
- Flow is that quantity of an economic variable which is measured during the period of time.

Concepts

Economic Territory or Domestic Territory – geographical territory administered by a government within which persons, goods and capital circulate freely. It is defined to cover

(i) Political frontiers including territorial waters and air space

(ii) Embassies, consulates, military bases etc.

(iii) Ships, aircrafts, etc., operated by the residents between two or more countries.

Fishing vessels, oil and natural gas rigs operated by residents in international waters

Resident - these are the people who (i) normally reside in the country concerned and (ii) whose center of economic interest lies in the country concerned.

Intermediate goods – which are acquired for further production during the same year

Final goods – goods which are acquired for personal consumption and investment.

Stock – quantity of an economic variable which is measured at a particular point of time.

Flow- quantity of an economic variable which is measured during the period of time.

National Income ( $NNP_{fc}$ ) – It is defined as the money value of all final goods and services produced within the domestic territory of a country in an accounting year plus net factor income from abroad.

Domestic Income ( $NDP_{fc}$ ) – It is the value of production within the domestic territory of a country.

Gross Domestic Product at Market Price (GDPmp)

GDPmp is defined as the market value of the output of final goods and services produced by all the producers in the domestic territory of a country during an accounting year.

- $GNP_{mp} = GDP_{mp} + NFIA$
- $NNP_{mp} = GDP_{mp} - \text{Depreciation} + NFIA$
- $NDP_{mp} = GDP_{mp} - \text{Depreciation}$
- $NDP_{fc} = \text{Domestic Income}$
- $GDP_{fc} = GDP_{mp} - NIT$
- $GNP_{fc} = GDP_{mp} + NFIA - NIT$
- $NNP_{fc} = GDP_{mp} - \text{Depreciation} + NFIA - NIT$

Three fundamental terms in calculation of national income:

- Depreciation or consumption of fixed capital = Gross - Net
- Net indirect taxes = Indirect taxes – Subsidies
- Net factor income from abroad = Factor income from abroad – factor income to abroad
- Gross = Net + Depreciation
- National = Domestic + NFIA
- Market Price = Factor cost + Net indirect taxes

### Methods of calculating National Income

1. Value Added Method or Product Method
2. Expenditure Method
3. Income Method

#### **1. Value Added Method or Product Method:**

Meaning – In this method national income is estimated by adding contribution of each producing enterprise in production of final goods and services produced in an economy during a year.

Steps involved:

Identification and classification of production enterprises

Estimation of Gross Value Added –

Gross Value Added (GVA) = Gross Value of output (GVO) - Intermediate consumption

$$(IC)GVA = GDP_{mp} = GVO - IC$$

$$GVO = \text{Sales} + \text{Change in stock}$$

Estimation of national income –

$$NNP_{fc} = GDP_{mp} - \text{Dep} + NFIA - NIT$$

Precautions:

- Sale and purchase of second – hand goods are not included
- Production for self-consumption should be included
- Services of owner-occupied houses should be included
- The value of intermediate consumption should not be included

**2. Income Method:**

Meaning – In this method the sum total of factor income earned by the normal residents of a country during a year is taken and is called Factor payment or Distribution Share Method.

Steps involved:

- Identification and classification of producing enterprises that employ factor inputs
- Classification of factor income –
  - Compensation of Employees (COE) – It includes (a) Wages and salaries in cash (b) Payment in kind (c) Employer's contribution to social security schemes (d) Pension on retirement
  - Operating Surplus (OS) – It includes (a) Rent (b) Interest (c) Profit - Profit is further divided into 3 components – Dividends + Corporate Profit Tax + Undistributed Profit
  - Mixed Income (MY) – It refers to the incomes of the self-employed persons using their own labour, land, capital and entrepreneurship to produce goods and services
- Estimation of national income  
$$NDPfc = COE + OS + MY$$
$$NNPfc = NDPfc + NFIA$$

Precautions:

- Transfer incomes should not be included
- Income from Illegal activities should not be included
- Income from sale of second- hand goods should not be included
- Corporation tax should not be taken separately as it is part of profit
- Windfall gains do not form part of national income
- Imputed rent to be included

**3. Expenditure Method:**

GDP = Private final consumption expenditure + Government final consumption expenditure+ Gross Domestic Capital Formation + Net Exports

$$GDP = PFCE + GFCE + GDKF + (X-M)$$

1.	Which of the following is included in National product? Old age pension Purchase of one old car Prize won in a Lottery Farmer produces for self-consumption.	1
2.	Name four sectors of the economy.	1
3.	Which of the following is a flow variable- (a)wealth (b)population (c)money supply (d)gross domestic disposable income	1
4	What is national income?	1
5.	In which type of economy GDP equals to GNP? Open economy Closed economy Private economy None of the above	1
6.	Which of the following is a intermediate good Bread purchased by a restaurant Bread purchased by a household Machinery purchased by a firm Sewing machines purchased by a tailor	1
7.	Distinguish between capital goods and consumption goods with example.	3
8.	Calculate ‘intermediate consumption’ from the following data: (Rs in lakhs) (i) value of output 200 (ii) net value added at factor cost 80 (iii) sales tax 15 (iv) subsidy 5 (v) depreciation 2	3

9.	From the following data, calculate net value added at market price: (Rs. in lakhs)	3
	(i) sales 500	
	(ii) depreciation 15	
	(iii) intermediate expenditure 110	
	(iv) decrease in stock 5	
	(v) purchase of machinery 45	
	(vi) imports 15	
	(vii) net indirect taxes 20	
10.	What is meant by double counting & how can it be avoided?	3
11.	GDPmp was 4,600 cr. In an accounting year, NIT was 200, private final consumption expenditure was 2,600 cr., govt. final consumption expenditure was 1,200cr; gross domestic capital formation was 9, 000cr. and exports were 50 cr. What is the value of imports in the same accounting year?	3
12.	Calculate GVAfc Rs. In lakhs.  Sales 800 Operating surplus 40 Closing stock 30 Subsidies 50 Purchase of raw materials 100 Profits 25	3
13.	Indicate whether the following are intermediate goods or final goods: Raw cotton used by a spinning mill Sewing machine used in a tailoring shop Vegetables purchased by a restaurant	3
14.	Described below are the transactions that take place in an economy. Calculate National product by Value added method. A sells for Rs.300 to B and for Rs. 200 to C. B sells for Rs. 100 to private consumption and for Rs. 300 to C and C sells for Rs.1200 to private consumption.	3
15.	What are the different phases of a circular flow of income?	3

16.	From the following data calculate NVA <sub>mp</sub> :																			
	<table border="1"> <thead> <tr> <th></th><th>Rs in thousands</th></tr> </thead> <tbody> <tr> <td>Sales</td><td>700</td></tr> <tr> <td>Change in stock</td><td>40</td></tr> <tr> <td>Depreciation</td><td>80</td></tr> <tr> <td>Net indirect taxes</td><td>100</td></tr> <tr> <td>Purchase of machinery</td><td>250</td></tr> <tr> <td>Purchase of intermediate products</td><td>400</td></tr> </tbody> </table>		Rs in thousands	Sales	700	Change in stock	40	Depreciation	80	Net indirect taxes	100	Purchase of machinery	250	Purchase of intermediate products	400					
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17.	What is meant by government of final consumption expenditure?	4																		
18.	Find GDP <sub>mp</sub> from the following:	4																		
	<table border="1"> <thead> <tr> <th></th><th>Rs in crores</th></tr> </thead> <tbody> <tr> <td>Value of output in primary sector</td><td>2000</td></tr> <tr> <td>Intermediate consumption of secondary sector</td><td>800</td></tr> <tr> <td>Intermediate consumption of primary sector</td><td>1000</td></tr> <tr> <td>NFIA</td><td>(-)30</td></tr> <tr> <td>NET Indirect Taxes</td><td>300</td></tr> <tr> <td>Value of output in tertiary sector</td><td>1400</td></tr> <tr> <td>Value of output in secondary sector</td><td>1800</td></tr> <tr> <td>Intermediate consumption of tertiary sector</td><td>600</td></tr> </tbody> </table>		Rs in crores	Value of output in primary sector	2000	Intermediate consumption of secondary sector	800	Intermediate consumption of primary sector	1000	NFIA	(-)30	NET Indirect Taxes	300	Value of output in tertiary sector	1400	Value of output in secondary sector	1800	Intermediate consumption of tertiary sector	600	
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19.	Determine the value of GNPfc from the following Rs. in crores	4																		
	i) Net domestic product at market price 24000 ii) Capital stock of the company(depreciation @ 10%) 40000 iii) Indirect taxes 120 iv) Subsidies 30 v) Factor income from the rest of the world 400 vi) Factor income to rest of the world 600																			
20.	Calculate Government Final Consumption Expenditure: Compensation of employees paid by Government 1000 Bonus paid by Government 70 Sale of services to the public 100 Intermediate consumption of Government 500	4																		

21.	Calculate Value added by firm P and firm Q from the following data: -	
		Rs in lakhs
	Sales by firm P	80
	Sales by firm Q to firm P	40
	Sales by firm Q to households	60
	Imports by firm P	20
	Exports by firm Q	30
	Opening stock of firm P	25
	Closing stock of firm P	15
	Opening stock of firm Q	35
	Closing stock of firm Q	50
	Purchases by firm Q	100
22.	Suppose the GDP at market price of a country in a particular year was Rs.1100 crores. Net factor income from Abroad was Rs. 100 crores. The value of indirect taxes - Subsidies was Rs 150 crores and National Income was Rs. 850 crores. Calculate the aggregate value of depreciation.	4
23.	Define Net factor income from abroad. Explain its components.	4
24.	Compute the following from the given information –(a) GDPmp (b) NNPfc (Rs in crores)	4
	Net domestic product at market price	7490
	Subsidies	150
	Indirect taxes	240
	Net factor Income from Abroad	20
	Replacement cost	440
	Factor Income to Abroad	45
25.	Distinguish between National Income at current prices and National Income at constant prices	4
26.	What is real and nominal GDP? Can it be taken as an indicator of welfare? Explain.	4
27.	Calculate operating surplus and show $NVAfc = \text{Income generated}$	4
	Sales	30000
	Compensation of employees	6000
	Intermediate consumption	8000
	Rent	2500
	Interest	2200
	Net indirect taxes	1500
	CFC	1200
	Profit	8600

28.	Calculate the VA by firm A and firm B: Rs. In lakh  i. Sales by firm A 100 ii. Purchase from B by firm B 40 iii. Purchases from A by firm B 60 iv. Sales by firm B 200 v. Closing stock of firm A 20 vi. Closing stock of firm B 35 vii. Opening stock of firm A 25 viii. Opening stock of firm B 45 ix. Indirect taxes of both firms 30	4
29.	Distinguish between stock and flow. Between net investment and capital, which is a stock and which is a flow?	4
30.	Write down the limitations of using GNP as the index of welfare of a country.	4
31.	From the following data, calculate national income by (i) income method and (ii) expenditure method.  (Rs. In crores)  (i) rent 400 ii) mixed income of self employed 50 (iii) wages and salaries 1200 (iv) profit 260 (v) net imports -140 (vi) reduction on stock 100 (vii) interest 40 (viii) undistributed profit 60 (ix) replacement cost 20 (x) net domestic fixed capital formation 320 (xi) private final consumption expenditure 1600 (xii) net factor income paid to abroad 60 (xiii) government final consumption expenditure 200 (xiv) social security contribution by employers 110 (xv) net national disposable income 2090 (xvi) net national disposable income at factor price 1990	6

32.	<p>Will the following be included in the National Income of India explain.</p> <ol style="list-style-type: none"> <li>Financial assistance given to flood victims</li> <li>Profit earned by an Indian bank from its branches abroad</li> <li>Interest received by an individual from bank.</li> <li>Rent received from Russian Embassy in India.</li> <li>Compensation of employees to the residents of China working in Indian embassy in USA.</li> <li>Earnings of the shareholders from the sale of shares.</li> </ol>	6																												
34.	<p>Are the following included in calculating the National Income. Give reasons.</p> <ul style="list-style-type: none"> <li>• Old Age Pension</li> <li>• Sales of new shares of a firm</li> <li>• Profits of a foreign bank with a branch at Mumbai.</li> <li>• Meals to beggars</li> <li>• COE to residents of Japan working in Indian embassy in Japan.</li> <li>• Interest received on government loans.</li> </ul>	6																												
35.	<p>Calculate GDPmp through the income method and National Income by the expenditure method.</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: right;">Rs. In crs.</th> </tr> </thead> <tbody> <tr> <td>i. Mixed income of self employed</td> <td style="text-align: right;">850</td> </tr> <tr> <td>ii. Rent, Interest and profits</td> <td style="text-align: right;">290</td> </tr> <tr> <td>iii. Government's purchase of goods &amp; service</td> <td style="text-align: right;">220</td> </tr> <tr> <td>iv. Imports</td> <td style="text-align: right;">170</td> </tr> <tr> <td>v. Export</td> <td style="text-align: right;">140</td> </tr> <tr> <td>vi. Personal consumption expenditure</td> <td style="text-align: right;">1530</td> </tr> <tr> <td>vii. Inventory investment</td> <td style="text-align: right;">100</td> </tr> <tr> <td>viii. Compensation of employees</td> <td style="text-align: right;">730</td> </tr> <tr> <td>ix. Net factor income from the ROW</td> <td style="text-align: right;">(-)10</td> </tr> <tr> <td>x. Consumption of fixed capital</td> <td style="text-align: right;">120</td> </tr> <tr> <td>xi. Subsidies</td> <td style="text-align: right;">30</td> </tr> <tr> <td>xii. Gross fixed capital formation</td> <td style="text-align: right;">400</td> </tr> <tr> <td>xiii. Indirect taxes</td> <td style="text-align: right;">260</td> </tr> </tbody> </table>		Rs. In crs.	i. Mixed income of self employed	850	ii. Rent, Interest and profits	290	iii. Government's purchase of goods & service	220	iv. Imports	170	v. Export	140	vi. Personal consumption expenditure	1530	vii. Inventory investment	100	viii. Compensation of employees	730	ix. Net factor income from the ROW	(-)10	x. Consumption of fixed capital	120	xi. Subsidies	30	xii. Gross fixed capital formation	400	xiii. Indirect taxes	260	6
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iii. Government's purchase of goods & service	220																													
iv. Imports	170																													
v. Export	140																													
vi. Personal consumption expenditure	1530																													
vii. Inventory investment	100																													
viii. Compensation of employees	730																													
ix. Net factor income from the ROW	(-)10																													
x. Consumption of fixed capital	120																													
xi. Subsidies	30																													
xii. Gross fixed capital formation	400																													
xiii. Indirect taxes	260																													
37.	<p>Explain the term 'Compensation of employees' and its components. Giving reasons, state whether the following are treated as compensation of employees :</p> <ol style="list-style-type: none"> <li>Gift by employees</li> <li>Bonus</li> </ol>	6																												
38.	<p>Distinguish between a factor payment and transfer payment. Giving reasons, state whether the following are included in national income or not.</p> <ol style="list-style-type: none"> <li>Brokerage payment on sale of shares</li> <li>Interest payment on loans taken by an individual to buy motor cycle</li> </ol>	6																												

	(iii) Festival gift by an employer to his employees																																											
39.	Distinguish between intermediate products and final products. Giving reasons, state whether the following are intermediate or final products. (i) Purchase of equipments for installation in a factory (ii) Purchase of food items by a hotel (iii) Purchase of armaments by military	6																																										
40.	From the following data, calculate net national product at factor cost by income and expenditure method: <table style="width: 100%;"><tbody><tr><td>i.</td><td>Current transfers from rest of the world</td><td>100</td></tr><tr><td>ii.</td><td>Government final consumption expenditure</td><td>1000</td></tr><tr><td>iii.</td><td>Wages and salaries</td><td>3800</td></tr><tr><td>iv.</td><td>Dividend</td><td>500</td></tr><tr><td>v.</td><td>rent</td><td>200</td></tr><tr><td>vi.</td><td>Interest</td><td>150</td></tr><tr><td>vii.</td><td>Net domestic capital formation</td><td>500</td></tr><tr><td>viii.</td><td>Profits</td><td>800</td></tr><tr><td>ix.</td><td>Employers' contribution to social security schemes</td><td>200</td></tr><tr><td>x.</td><td>Net exports</td><td>(-)50</td></tr><tr><td>xi.</td><td>Net factor income from abroad</td><td>(-)30</td></tr><tr><td>xii.</td><td>Consumption of fixed capital</td><td>40</td></tr><tr><td>xiii.</td><td>Private final consumption expenditure</td><td>4000</td></tr><tr><td>xiv.</td><td>Net indirect tax</td><td>300</td></tr></tbody></table>	i.	Current transfers from rest of the world	100	ii.	Government final consumption expenditure	1000	iii.	Wages and salaries	3800	iv.	Dividend	500	v.	rent	200	vi.	Interest	150	vii.	Net domestic capital formation	500	viii.	Profits	800	ix.	Employers' contribution to social security schemes	200	x.	Net exports	(-)50	xi.	Net factor income from abroad	(-)30	xii.	Consumption of fixed capital	40	xiii.	Private final consumption expenditure	4000	xiv.	Net indirect tax	300	6
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## UNIT 2: MONEY AND BANKING

Money: Money is anything that is generally accepted as a medium of exchange.

Fiat money – It refers to money backed with order of the government.

Fiduciary money – It refers to money backed with mutual trust between the payer and the payee.

Full Bodied money – It is money whose value as a commodity is equal to its value as money.

Supply of money: It refers to stock of money held by the public at a point of time in an economy.

Stock of money with the money issuing authorities (the government and the banking system of the country) is not considered as a part of money supply.

Measures of money supply:

M1, M2, M3 and M4 are the four measures of money supply in India.

$$M1 = C + DD + OD$$

C = Currency held by the public

DD= Net Demand deposits of the bank

OD= other deposits with RBI

- $M2 = M1 + \text{Savings of the people with post offices}$
- $M3 = M1 + \text{Net time deposits with commercial banks}$
- $M4 = M3 + \text{Total deposits with Post offices (excluding National Savings Certificate)}$
- $M4$  is most comprehensive but is least liquid.

M1 measure of money supply is the most liquid.

High Powered Money – It includes currency (notes + coins) with the public and cash reserves with the banks.

Commercial Bank – It is a financial institution engaged in the business of accepting deposits and making loans to the people.

Functions of Commercial banks:

Primary Functions

(i) Accepting deposits – Current Account Deposits , Fixed/Term Deposits, Savings Account Deposits, Advancing loans – Cash Credit, Demand Loans, Short term loans, Overdrafts

Discounting Bills of Exchange

Investment of funds in government securities

Secondary functions : (i) Agency functions, (ii) General Utility Functions

Credit Creation: Commercial banks create credit on the basis of primary deposits.

Credit Multiplier =  $1/LRR$

Total Money created = Initial Deposit +  $1/LRR$

Central Bank: The central bank is an apex institution that controls and regulates the monetary and the entire banking system of a country.

Functions of the Central Bank:

- Currency Issuing authority
- Banker to the government

- Banker's bank
- Lender of the last resort
- Custodian of nation's foreign exchange reserves
- Controller of credit
- Clearing house

1.	What do you mean by bank rate?	1
2.	What is fiat money?	1
3.	What is meant by limited legal tender?	1
4.	What is high powered money?	1
5.	If cash reserve ratio is 0.25, credit multiplier will be: (a) 2 (b) 3 (c) 4 (d) 6	1
6.	Money multiplier depends upon: (a) reserve ratios (b) SLR (c) lending capacity of the commercial banks (d) primary deposits and reserve ratios	1
7.	Which is the most liquid measure of money supply? a. M1 b. M2 c. M3 d. M4	1
9.	Distinguish between time deposits and demand deposits	3
10.	Explain any three limits of the process of credit creation.	3
12.	Explain 'bankers bank' and 'banker to the government' functions of Central Bank.	4
13.	What are the various measures of money supply in India?	4
14.	Explain the process of the creation of money by commercial banks with the help of numerical example.	4
15.	Explain the following functions of Central Bank; Currency Authority Lender of last resort	4
18.	Distinguish between Central bank and Commercial Bank.	4
19.	Commercial banks are called factories of credit. Explain	4
20.	What are the instruments of monetary policy of RBI? How does RBI	4

*Economics 12 Academic Window*

	stabi8lize money supply against exogenous shocks?	
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*Economics 12 Academic Window*

21.	Explain the various measures of money supply.	4
22.	Explain how does central bank control the credit flow into the economy?	6
23.	What is the central bank? Explain ‘banker to the government’ and ‘issuing currency’ functions of the central bank.	6
24.	Explain the functions of qualitative and quantitative credit control measures taken by the Central Bank in order to correct the inflationary and deflationary gap.	6

## UNIT 3 – DETERMINATION OF INCOME AND EMPLOYMENT

---

Aggregate Demand (AD) : It is the sum total of demand for all goods and services in the economy during the period of an accounting year.

Components of AD :

$$AD = C + I + G + (X - M)$$

Where  $C$  = Household consumption expenditure

$I$  = Private Investment Demand

$G$  = Government demand for goods and services

$(X - M)$  = Net export demand

AD Curve: Keynes has taken

$$AD = C + I$$

Hence, AD curve is a positively sloping line originating from the Y axis.

Aggregate Supply (AS): It refers to the flow of goods and services in the economy during an accounting year.

$$AS = \text{Value added} = \text{Income generated} = C + S$$

Components of AS:

$$AS = C + S$$

Consumption function: It is the relationship between consumption and income.

$$C = f(Y)$$

Consumption Equation:  $C = c + bY$

$c$  = Autonomous consumption

$$b = \text{slope of the AD curve} = MPC = \Delta C / \Delta Y$$

$Y$  = Income

Propensity to consume: It is the ratio between consumption and income. It points to the desire to consume at different levels of income.

$$\text{Average Propensity to Consume (APC)} = C/Y$$

$$\text{Marginal Propensity to Consume (MPC)} = \Delta C / \Delta Y$$

Savings Function: It is the relationship between saving and income.

$$S = S/Y$$

Propensity to save: It is the ratio between saving and income. It refers to the desire to save at different levels of income.

$$\text{Average Propensity to Save (APS)} = S/Y$$

$$\text{Marginal Propensity to Save (MPS)} = \Delta S / \Delta Y$$

Relationship between MPC and MPS

$$MPC + MPS = 1$$

Investment:

Autonomous investment - It is the investment irrespective of the level of income. It is a horizontal line parallel to X axis.

Induced Investment – It is investment with the motive of earning profit. It is upward sloping curve.

Investment demand depends upon:

Revenues (b) Costs (c) Expectations

Marginal efficiency of investment (MEI): It is defined as the expected rate of return from marginal unit of investment.

$$I = f(i, MEI)$$

Determination of Equilibrium level of Income, Output and Employment:

Consumption Plus Investment Approach:

Equilibrium Level of Income, Output and Employment is determined where

$$AD = AS$$

$$C + I = C + S$$

Implying that desired output = desired expenditure on output

When  $AD > AS$  or when  $AD < AS$  there are auto mechanisms in a free economy that tend to restore the equality between AD and AS.

Savings = Investment Approach:

Equilibrium Level of Income, Output and employment is determined where

$$S = I$$

$$\text{Planned Savings} = \text{Planned Investment}$$

When  $S > I$  or when  $S < I$ , the auto mechanisms work to restore the equality between  $S = I$

Full Employment – It is a situation in which all those who are able to work and willing to work at the existing wage rate are getting work.

Involuntary Unemployment – It occurs in a situation when some people are not getting jobs even when they are able to work and willing to work at the existing wage rate.

Investment Multiplier or Output Multiplier

It is the ratio between change in income and change in investment.

$$K = \Delta Y / \Delta I$$

$$K = 1 / 1 - MPC$$

$$K = 1 / MPS$$

Relationship between Multiplier and MPC

MPC and Multiplier are positively related

MPS and Multiplier are inversely related

Larger the MPC, larger the multiplier

Working of the Investment / Output Multiplier: Initial increase in income due to initial investment expenditure causes increase in consumption which becomes somebody's income again. Greater the additional consumption out of additional income greater is the generation of income. Thus, greater the MPC, greater the value of the multiplier.

Problem of Deficient Demand and Excess Demand

Deficient Demand – It refers to a situation when aggregate demand is short of aggregate supply corresponding to full employment in the economy.

Deflationary Gap – Deflationary gap is equal to the difference between ‘AD at full employment’ and ‘AD at underemployment’

Causes of Deflationary Gap – (i) Reduction in private consumption expenditure (ii) Reduction in investment expenditure (iii) Reduction in government expenditure (iv) Deficit BOP

Consequences of Deficient Demand - Deficient demand causes deflation and underemployment. The economy will be in a low level of equilibrium causing low level of output, income and causes low AD.

Excess Demand: Excess demand is a situation when  $AD > AS$  corresponding full employment level.

Inflationary Gap – Inflationary gap is equal to the difference between ‘AD beyond full employment’ and ‘AD at full employment’.

Causes of Inflationary Gap – (i) Rise in private consumption expenditure (ii) Rise in investment expenditure (iii) Rise in government expenditure (iv) Surplus BOP

Consequences of Excess Demand – Excess demand causes inflation as AD beyond full employment would only cause pressure on demand on the existing supply, implying inflation. The economy will be in a wage-price spiral

#### Measures to Correct Deficient and Excess Demand

Two policy measures are used to correct deficient and excess demand

Fiscal policy – taxation and expenditure of the government

Monetary policy - money supply and availability of credit\

#### In case of Deficient Demand

Fiscal Policy – Government expenditure is increased and taxes are lowered

Monetary policy - Bank rate is reduced, Cash Reserve Ratio is lowered, SLR is reduced and central bank sells securities in the open market.

#### In case of Excess demand

Fiscal Policy – Government expenditure is reduced and taxes are increased

Monetary policy - Bank rate is raised, Cash Reserve Ratio is increased, SLR is increased and central bank buys securities in the open market.

1.	What is the relationship between MPC and MPS?	1
2.	When income is less than consumption, what will be the value of APC and APS.	1
3.	Derive an expression for the multiplier.	3
4.	In an economy investment expenditure is increased by Rs 400 crores and MPC is 0.8. Calculate the total increase in income and savings.	3
5.	How is equilibrium output of final goods determined under short run fixed price?	3
6.	State whether the following statements are true or false. Give reasons: When the marginal propensity to consume is greater than marginal propensity to save, the value of investment multiplier will be greater than 5. The value of marginal propensity to save can never be negative.	4
7.	When the disposable income rises from Rs. 1000 to Rs. 1100, savings rise by Rs. 30. Find out marginal propensity to save and marginal propensity to consume.	4

8.	In an economy the actual level of income is Rs. 500 crs, whereas the full employment level of income is Rs. 800 crs. The MPC is 0.75. Calculate the increase in investment required to achieve full employment income.	4																								
9.	Define investment multiplier. Explain its relationship with MPC. What can be the minimum size of the multiplier?	4																								
10.	How is fiscal policy used to reduce deficient demand in the economy?	4																								
11.	An increase in investment in a country leads to increase in national income by Rs. 200 crs. If MPC is 0.75 what is the increase in investment? Calculate.	4																								
12.	When income is Rs. 400 crores, average propensity to consume is 0.75. What is the new level of consumption if income increases to Rs. 450 crores and marginal propensity to consume is 0.8.	4																								
13.	Explain the working of multiplier with the help of numerical example.	4																								
14.	Explain the concept of Underemployment equilibrium with the help of a diagram. Show on the same diagram the additional investment expenditure required to reach full employment.	4																								
15.	Explain the problem of deficient demand in an economy with the help of a diagram	4																								
16.	Complete the following table: <table border="1"> <thead> <tr> <th>Income</th> <th>Saving</th> <th>MPC</th> <th>APC</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>-20</td> <td></td> <td>—</td> </tr> <tr> <td>50</td> <td>-10</td> <td></td> <td></td> </tr> <tr> <td>100</td> <td>0</td> <td></td> <td></td> </tr> <tr> <td>150</td> <td>30</td> <td></td> <td></td> </tr> <tr> <td>200</td> <td>60</td> <td></td> <td></td> </tr> </tbody> </table>	Income	Saving	MPC	APC	0	-20		—	50	-10			100	0			150	30			200	60			4
Income	Saving	MPC	APC																							
0	-20		—																							
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100	0																									
150	30																									
200	60																									
17.	An increase of Rs 250 crore in investment in an economy resulted in total increase in income of Rs 100 crore. Calculate the following:- <ol style="list-style-type: none"> <li>1. MPC</li> <li>2. Change in savings</li> <li>3. Value of Multiplier</li> <li>4. Change in consumption expenditure</li> </ol>	4																								
18.	An increase in investment of Rs. 1000 crs in economy resulted in total increase in income of Rs. 5000 crs. Calculate the following: <ul style="list-style-type: none"> <li>• Marginal propensity to consume</li> <li>• Change in savings</li> <li>• Change in consumption expenditure</li> <li>• Value of Multiplier</li> </ul>	4																								
19.	Explain the working of the multiplier with the help of C+I curves?	4																								

20.	Suppose the level of autonomous investment in an economy is Rs 300 crore and consumption function is: $C = 100 + 0.60Y$ , what will be the equilibrium level of income? Also find the level of consumption in the economy?	6
21.	How the equilibrium level of income is determined using the C+I approach?	6
22.	Explain the problem of excess demand in an economy with the help of a diagram. Explain the role of bank rate in correcting them.	6
23.	Explain how the equilibrium level of income is determined when If planned savings is greater than planned investment If planned investment is greater than planned savings	6
24.	Explain the equilibrium level of income with the help of saving and investment curves. If savings exceed planned investment, what changes will bring about the equality between them?	6
25.	Distinguish between inflationary gap and deflationary gap. Show this gap exist at equilibrium level of income? Explain.	6

## **UNIT 4 – GOVERNMENT BUDGET AND THE ECONOMY**

### Government Budget

It is a financial statement showing the expected receipts and estimated expenditures of the government in the coming financial year.

### Objectives of the Budget

Redistribution of income and wealth

Reallocation of resources

Economic stability

Managing public enterprises

### Structure of the Budget

It includes

Revenue Budget – showing revenue receipts and revenue expenditure

Capital Budget – showing capital receipts and capital expenditure

Revenue receipts – are those receipts which do not cause any reduction in assets nor create any liability.

It includes Tax and non tax revenue receipts.

Capital receipts are those receipts which create liability and which causes reduction in assets of the government.

Revenue Expenditure are those expenditure which does not cause increase in asset nor any reduction in government liability.

Capital Expenditure are those expenditure which causes increase in government asset or any reduction in liability.

### Plan and Non- Plan expenditure

Plan Expenditure is incurred in accordance with planned development programmes of the country.

Non – Plan expenditure is incurred not in accordance with planned development programmes of the country.

### Development and Non- Development expenditure

Development Expenditure is directed towards development programmes and contributes directly to the flow of goods and services in the country.

Non- development expenditure is not directly related to development programmes of the country.

Balanced Budget – when Total expenditure is equal to Total receipts

Surplus Budget – when Total expenditure < Total receipts

Deficit Budget – when Total expenditure >Total receipts

Revenue Deficit = Revenue receipts < Revenue expenditure

Implication – government is borrowing to maintain even its consumption expenditure.

Fiscal Deficit = Total Expenditure – Total receipts other than borrowings

Implication – causes inflation, growing indebtedness, debt trap

Primary Deficit = Fiscal Deficit – Interest Payments

Implication – indicates borrowing requirements of the government to meet deficit.

**Measures to contain Budgetary Deficits**

- Reducing government expenditure
- Increasing government receipts
- Monetary expansion
- Borrowing from Public
- Disinvestment

1.	Which of the following is an example of an indirect tax? Wealth tax Income tax c) Sales tax d) Corporate tax	1
2.	Name the sources of capital receipts.	1
3.	What is meant by escheats?	1
4.	What is revenue budget?	1
5.	What is a progressive tax?	1
6.	What are the main sources of budget deficit?	1
7.	What is a revenue budget?	1
8.	Give two examples of non-tax revenue receipts?	1
9.	What is the value of balanced budget multiplier?	1
10.	What does zero primary deficit means?	1
11.	A government budget shows a primary deficit of Rs. 4,400 crores. The revenue expenditure on interest payment is Rs.400crores. How much is the fiscal deficit?	1
12.	In the government budget, primary deficit is Rs. 10000 crores and interest payment is Rs. 8000 crores. How much is fiscal deficit?	1
13.	The payment of interest by the government is estimated to be Rs. 25000 crore which is 20% of primary deficit. Find the borrowings of the government.	1
14.	The borrowing of the government is estimated to be Rs. 20000 crore, if the expenditure on interest payment is estimated to be 25% of the revenue deficit and the revenue deficit is Rs 25000, find fiscal deficit and primary deficit.	3
15.	A government budget shows a primary deficit of Rs 4500 crores. The revenue expenditure on interest payments is Rs 500 crores. How much is the fiscal deficit?	3

16.	How can a government budget help in reducing inequalities of income? Explain.	3
17.	How can a government budget impact reallocation of resources?	3
18.	Distinguish between revenue budget and capital budget.	3
19.	Explain the basis of classifying government expenditure.	3
20.	Giving reasons, categorise the following the revenue receipts and capital receipts:  (i) Recovery of loans (ii) Dividends on investments made by the government (iii) sale of a public sector undertaking	3
21.	What is revenue deficit? State two implications of it.	3
22.	Explain in brief three objectives of the government budget	3
23.	Can there be Fiscal deficit in the government budget without revenue deficit? Explain.	3
24.	Distinguish between tax and non tax revenue?	3
25.	Distinguish between direct and indirect tax.	3
26.	Explain the meaning and implications of revenue deficit in a government budget.	3
27.	Distinguish between  (a) fiscal deficit and primary deficit and (b) fiscal deficit and budget deficit	4
28.	Explain the meaning and implications of primary deficit in a government budget.	4
29.	Give reasons and categories the following into revenue and capital expenditure:-  • Subsidies • Repayment of Loans • Construction of school buildings • Grants given to state government	4
30.	What are capital receipts? What are the main items of capital receipts?	4
31.	Distinguish between revenue receipts and capital receipts in a government	4

	budget. Give two examples of each.													
32.	Distinguish between revenue expenditure and capital expenditure in a government budget. Give two examples of each.	4												
33.	How is surplus budget used to reduce excess demand?	4												
34.	Distinguish between budgetary deficit and fiscal deficit	4												
35.	What is the basis of classifying government expenditure into: (a) Revenue expenditure and capital expenditure (b) Plan expenditure and Non - plan expenditure	4												
36.	How can budget deficit be corrected? Explain the measures suggested with limitations.	4												
37.	How does a deficit budget help in checking the deflationary pressures? Explain.	4												
38.	Revised budget estimates for the year 2001-02 are given below. Estimate budget deficit, revenue deficit, fiscal deficit and primary deficit. <table><tbody><tr><td>Revenue receipts</td><td>212572</td></tr><tr><td>Capital receipts</td><td>148060</td></tr><tr><td>Revenue expenditure</td><td>304305</td></tr><tr><td>Capital expenditure</td><td>69826</td></tr><tr><td>Interest payments</td><td>107257</td></tr><tr><td>Borrowings and other liabilities</td><td>131721</td></tr></tbody></table>	Revenue receipts	212572	Capital receipts	148060	Revenue expenditure	304305	Capital expenditure	69826	Interest payments	107257	Borrowings and other liabilities	131721	4
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## UNIT 5 – BALANCE OF PAYMENTS AND FOREIGN EXCHANGE

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**Exchange rate:** It refers to the price of one currency in relation to other currencies.

### Types of Exchange rate

There are two main types of exchange rates - Fixed exchange rate system and Flexible exchange rate system

**Fixed Exchange rate** – refers to the rate of exchange which is officially declared and is fixed by the government.

Merits – (i) It ensures stability in the international money market

(ii) It encourages international trade

It helps formulation of macroeconomic policies and promotes bilateral trade agreements

It avoids speculation in the international money market

It helps to control inflation

Demerits – (i) It is to be supported with huge reserves of gold; ii. it restricts the movement of capital in the international money market; iii. It discourages venture capital

**Flexible Exchange rate** – It is determined by the supply of and demand for different currencies in the foreign exchange market.

Merits – Gold reserves not required; International mobility of capital is promoted ; It encourages venture capital; Optimum Resource allocation is achieved

Demerits of Flexible Exchange rate It causes instability in international money market .Policy formulation becomes difficult; Bilateral trade agreements become difficult

### Determination of Flexible Exchange Rate

Flexible exchange rate is determined by the supply of and demand from different currencies in the foreign exchange market.

Demand for foreign exchange: Foreign exchange is demanded by

- Domestic residents to purchase goods and services from other countries
- For sending gifts and grants to foreign countries (abroad)
- By the domestic residents to purchase financial assets in a particular country and
- To make payments of international trade
- Demand is inversely related to the price of foreign exchange.

Supply of foreign exchange: The supply of foreign exchange comes from

- The foreigners purchasing home country's goods and services through exports
- The foreigners who invest in home country through joint ventures
- Foreign currencies flow into the economy due to currency dealers and speculators.
- Supply of foreign exchange is directly related to the price of foreign exchange.

Equilibrium exchange rate: The rate where the supply of forex= demand for foreign exchange

Depreciation of currency; In currency depreciation there is a fall in the value of domestic currency in terms of foreign currency.

Appreciation of currency: In currency appreciation there is a rise in the value of domestic currency in terms of foreign currency.

Managed Floating: It is a system that allows adjustments in exchange rate according to a set of rules and regulations which are officially declared in the foreign exchange market.

### **Balance of Payments**

Meaning – It is a statement showing systematic record of all economic transactions between a country and the rest of the world during a given period of time.

BOP includes transactions of visible items, invisible items and capital transfers.

Balance of Trade – BOT is the difference between visible exports and visible imports.

#### Capital and Current account of BOP

- Current Account records both trade account and invisible account.
- Capital Account records all transactions which cause a change in the asset or liability status of the residents of a country and government.

#### Autonomous and Accomodating items

Autonomous items are related to those transactions which are determined by considerations of profit.

Accomodating items are those transactions that occur because of other activity in the BOP.

#### Disequilibrium in BOP

When BOP deficits or surplus are of large magnitude over the years, then BOP is said to be in disequilibrium.

#### Causes of Disequilibrium in BOP

Disequilibrium is caused by

Economic factors

Social factors

Political factors

1.	When trade surplus is (-)15,it shows: <ul style="list-style-type: none"> <li>• Exports &gt; Imports</li> <li>• Imports&gt; Exports</li> <li>• Imports= Exports</li> <li>• None of the above</li> </ul>	1
2.	If balance of trade is found to be in a state of balance, find the deficit on account of ‘invisibles’ if balance of capital account shows a surplus of Rs.20000 on account of borrowing from rest of the world.	1
3.	Ten US dollars are exchanged for five hundred Indian rupees. What is the exchange rate for Indian currency?	1
4.	What is flexible exchange rate? How it is determined?	3
5.	Should a current account deficit be a cause for alarm? Explain	3
6.	State the main sources of supply of foreign currency into the domestic economy?	

7.	The above figures are based on the balance of payments accounts:-Calculate Balance of Trade	3														
	<table border="1"> <thead> <tr> <th></th><th>Rs in Crores</th></tr> </thead> <tbody> <tr> <td>Imports</td><td>400</td></tr> <tr> <td>Exports</td><td>340</td></tr> <tr> <td>Shipping</td><td>3</td></tr> <tr> <td>Travel and tourism</td><td>5</td></tr> <tr> <td>Interest, dividends, profits</td><td>50</td></tr> <tr> <td>Unilateral transfers</td><td>40</td></tr> </tbody> </table>		Rs in Crores	Imports	400	Exports	340	Shipping	3	Travel and tourism	5	Interest, dividends, profits	50	Unilateral transfers	40	
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Imports	400															
Exports	340															
Shipping	3															
Travel and tourism	5															
Interest, dividends, profits	50															
Unilateral transfers	40															
8.	When the exchange rate of foreign currency falls, its demand rises. Explain how?	3														
9.	What are unilateral transfers? Are they part of invisible items?	3														
10.	Find the current account balance from the following: Export of goods 80 Export of services 20 Balance of visible trade 50 Transfers from one country to another country 5	3														
11.	Explain the relation between foreign exchange rate and demand for foreign exchange.	3														
12.	Explain the relation between foreign exchange rate and supply of foreign exchange	3														
13.	What is meant by fixed exchange rate? Give its two merits and two demerits.	3														
14.	List out the merits and demerits of flexible exchange rate system?	3														
15.	Name the items included in balance of trade account.	3														
16.	Balance of Payment always balances. Discuss	3														
17.	Explain any three causes of disequilibrium in BOP	3														
18.	Differentiate between Appreciation and depreciation of a currency.	3														
19.	Write four point of difference between balance of trade and balance of payments	4														
20.	List four items each of current account and capital account of the balance of payments account.	4														
21.	What is balance of payment account? Name three components each of its current account and capital account.	4														
22.	Distinguish between current account and capital account of BOP account. Mention any two transactions of capital account.	4														
23.	Distinguish between BOT and BOP. Can BOP be favorable when BOT is in deficit? Explain.	4														
24.	Distinguish between current account and capital account of BOP account.	4														

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	Mention any two transactions of capital account.	
25.	How are ‘above the line’ items different from ‘below the line’ items?	4
26.	‘Balance of payment always balances’. Does it mean a situation of zero net financial obligation for a country?	4
27.	What do you mean by the following:- a) Appreciation of currency b) Revaluation of currency c) Depreciation of currency d) Devaluation of currency	4
28.	Are the following transaction entered on the credit side or debit side in BOP account? Give reasons:- <ul style="list-style-type: none"><li>• Exports</li><li>• Imports</li><li>• Borrowing from the rest of the world</li><li>• Lending to the rest of the world</li></ul>	
29.	Suppose: $C = 100 + 0.75 YD$ , $I = 500$ , $G = 750$ , tax are 20% of income, $X = 150$ , $M = 100 + 0.2 Y$ . Calculate equilibrium income, the budget or surplus of the trade deficit or surplus.	4
30.	Distinguish between balance of trade and balance of payments account. List four items of current account of balance of payments.	4

## PART B- INDIAN ECONOMICS

### UNIT 6 – DEVELOPMENT POLICIES AND EXPERIENCE (1947-1990)

#### **Things to remember:**

State of the Indian Economy on the eve of independence in;

- Agricultural sector- Causes for backwardness: Zamindari system, Commercialization
- Industrial Sector – Status: Decay of handicrafts, bleak growth of modern industry
- Foreign Trade: cause: Colonial policy of British government.
- Infrastructure: Development of Railways

Common goals of the five year plans (Growth, Full Employment, Equity, Modernization, Self Sufficiency) and their achievement.

Main features problems and policies of agriculture, industry and foreign trade.

#### ***MCQ (1 mark)***

- 1) Following were the land tenure system prevailing during British colonial period
  - a) Zamindari system
  - b) Mahalwari System
  - c) Ryotwari system
  - d) Consolidation land holding system
- 2) Iron and steel industries began coming up in
  - a) Seventeenth century
  - b) Twentieth century
  - c) Eighteenth century
  - d) Nineteenth century
- 3) Jute industries were located in
  - a) Bengal
  - b) Rajasthan
  - c) Maharashtra
  - d) Gujarat
- 4) Infant mortality rate was
  - a) 18 per thousand
  - b) 80 per thousand
  - c) 75 per thousand
  - d) 60 per thousand
- 5) Largest share of work force which was 72% was engaged in
  - a) Secondary sector
  - b) Tertiary sector
  - c) Primary sector
  - d) None of these
- 6) \_\_\_\_\_was developed by the British Raj as a means to enlarge the size of market for the British goods
  - a) Post and telegraph
  - b) Iron and steel

- c) Railways
  - d) IT
- 7) What is the value of GNP
- a) Value of all final goods and services produced within the domestic territory
  - b) Value of all final goods and services produced by the residents of a nation
  - c) Value of all intermediate goods and services produced by the residents of a nation
  - d) Value of all intermediate goods and services produced by the residents of a nation
- 8) 10 % \_\_\_\_\_ while 18% workforce were engaged in \_\_\_\_\_ sector
- a) Manufacturing , Service
  - b) Service, Manufacturing
  - c) Primary, Service
  - d) Manufacturing , Primary
- 9) Railways were introduced in India in
- a) 1850.0
  - b) 1860
  - c) 1830
  - d) 1840

**Very Short Answers (1 marks)**

1.	What is meant by structural composition of the economy?	1
2.	Which traditional industries of India were particularly well known for before the advent of the British rule?	1
3.	What are subsidies?	1
4.	When was India's 1 <sup>st</sup> official census operation undertaken?	1
5.	Define small scale industry?	1
4.	What is meant by inward looking trade strategy?	1
6.	Which year is regarded as the defining year to mark the demographic transition from its first to the second decisive stage?	1
7.	What was the main reason for the stagnation in the agricultural sector under the British rule?	1
8.	Why did India opt for planning?	1
9.	List some of the modern industries that were operational during British raj.	1

**Short Answers (3 and 4 marks) and Long Answers (6 marks)**

10.	Explain the following terms: a)marketable surplus, b) consolidation of holdings, c)cooperative farming	3
11.	Why was it necessary for a developing country like India to follow Self –Reliance as a planning objective?	3
12.	How was Zamidari system an important cause of agricultural stagnation during the British period?	3
13.	Were there any positive contributions made by British to India? Discuss.	3
14.	State the two-fold motive behind the Systematic de-industrialization effected by the British in pre-independent India.	3
15.	Distinguish between planning objectives and plan objectives.	3

16.	Explain the main features of the Industrial Policy Resolution of 1956?	3
17.	What is import substitution policy? Why was it adopted in the initial period of development in India? Discuss.	4
18.	State any four failures of Indian plans.	4
19.	Briefly analyze the changes in the direction and composition of foreign trade since independence?	4
20.	Explain the need and type of land reforms implemented in the agriculture sector.	4
21.	Explain the objectives growth with equity and self-reliance?	4
22.	While subsidies encourage farmers to use technology, they are a huge burden on the government. Do you agree? Discuss.	4
23.	What were the main goals of five year plans of India?	6
24.	What were the main causes of the India agricultural stagnation during the colonial period?	6
25.	Briefly describe the state of infrastructural facilities during the British period	6
26.	Explain the nature and impact of discriminatory tariff policy pursued under colonial rule.	6
27.	Explain the Objective of sustained rise in per capita income as adopted during British rule.	6
28.	Why do farmers require credit? Discuss the institutional sources of credit.	6
29.	What is meant by small scale industries? Explain the significance of the industries in achieving employment and equity goals in India?	6
30.	Describe the achievements and failures of economic planning in India.	6

### Higher Order Thinking Skills (HOTS)

#### ***India on the Eve of Independence***

1.	Indicate the volume and direction of trade at the time of independence?
2.	How did the construction of railways effect the structure of the Indian economy?
3.	Were there any positive contributions made by the British in India? Discuss.
<b><u>Five Year Plans</u></b>	
4.	Why was the public sector given a leading role in industrial development during the planning period?
5.	Distinguish between planning objectives and plan objectives.
<b><u>Features of Agriculture</u></b>	
6.	Do you think Zamindari system has really been abolished in India? If not, suggest measures to banish it.
7.	What were the problems created by partition in India?

### **Strategies for Industrial Growth**

8.	Explain how import substitution can protect domestic industry.
9.	<p>Why and how was private sector regulated under the IPR 1956?</p> <p><b>Answer:</b> Under the IPR 1856, private sector was regulated through licensing system. To start a business, a company had to obtain a license from the government. The government also put limit on the quantity of goods produced so that production should not be more than what the economy needed. Certain sectors were exclusively reserved for small scale sector. It was believed that small scale sector would provide more employment to people. If a company wished to open a factory in backward area, then obtaining a license was very easy. Thus, opening a new venture or capacity expansion was strictly controlled by the government.</p>
10	<p>Though public sector is very essential for industries, many public sector undertakings incur huge losses and are a drain on the economy's resources. Discuss the usefulness of public sector undertakings in the light of this fact.</p> <p><b>Answer:</b> Public sector undertaking's main goal is public welfare rather than profit making. If a private sector company is running into losses, then it will close its shop. It looks like an ideal scenario but imagine about the families of those people who lose jobs in this process. In case of a public sector company; incurring losses; the government continues to operate the loss making undertaking to keep the larger interest of the society in mind. Moreover, public sector undertakings usually produce goods or services which are needed by people so that even the poor can afford such goods and services.</p>

### **Foreign Trade**

11	What is import substitution policy? Why was it adopted in the initial period of development in India?
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## UNIT 7– ECONOMIC REFORMS SINCE 1991

### **Things to remember:**

Need for Economic Reforms: Fiscal Deficit, Adverse Balance of Payment, Gulf Crisis, Fall in Foreign Exchange reserves, Rise in Prices, Poor Performance of PSU's.

- **Liberalization:** Freedom from direct and physical controls imposed by the government. Economic Reforms – Industrial sector reforms, Financial sector reforms, Fiscal reforms, and External sector reforms.
- **Privatization:** involving the private sector in the ownership or operation of a state owned Enterprise. Gains of Privatization: Self Interest, Competitive environment, Diversification, Consumer sovereignty.  
Losses of Privatization: No socialistic pattern, Weaker sections suffer deprivation.
- **Globalization:** integrating the economies with the economies of other countries. India is outsourcing destination as it's got cheap labour and is the IT hub.  
Policies Promoting Globalization: Increase in Equity Limit for Foreign Investment, Partial Convertibility, Long Term Trade Policy, Reduction in Tariff

### **Appraisal of the LPG Policies**

- **Positive Impact** – Stimulant to industrial production, Check on Fiscal Deficit and inflation, Consumer Sovereignty, Increase in Foreign Exchange Reserves, inflow of Private Foreign investment, India an emerging economic power, Monopoly market to competitive market.
- **Negative Impact** – Neglect of agriculture, urban concentration of growth, Economic colonialism, Consumerism, Lopsided growth process, Cultural erosion

### **MCQ (1 mark)**

- 1) The economy of India is based on planning through the \_\_\_\_\_ Year Plan developed and monitored by the planning Commission  
a) Five  
b) Four  
c) Six  
d) Three
- 2) First time the objective of self-reliance was incorporated in the \_\_\_\_\_ Five year plan  
a) First  
b) Third  
c) Second  
d) Fifth
- 3) The new agricultural strategy was adopted in India during the  
a) Fourth Plan  
b) Fifth Plan  
c) Second Plan  
d) Third Plan

- 4) Agriculture education ,health and infrastructure were the priority areas in the
  - a) 11th
  - b) 12th
  - c) 10th
  - d) 9th
- 5) Self reliance objective of planning means reducing dependence
  - a) On foreign trade
  - b) One region of country over the other
  - c) One individual over other
  - d) On foreign aid
- 6) First five year plan focused on \_\_\_\_\_ production while in second plan shifted the focus to \_\_\_\_\_
  - a) Agriculture, Tertiary
  - b) Tertiary, Industry
  - c) Agriculture, Industry
  - d) Industry, Agriculture
- 7) Which is the primary objective of economic planning in India
  - a) Growth with social justice
  - b) Abolition of poverty
  - c) Removing unemployment
  - d) Reducing Inequalities of income
- 8) The need for planning emerges from the following weakness of the free market system
  - a) Exploitation of workers
  - b) Inequalities
  - c) Instability
  - d) All of these
- 9) Inclusive growth can be achieved by
  - a) Removing poverty
  - b) Reducing inequalities
  - c) Providing social justice
  - d) All of these
- 10) The basic problem the Indian economy is facing is shortage of
  - a) Man made resources
  - b) Human resources
  - c) Entrepreneurial abilities
  - d) Natural resources

**Very Short Answers (1 marks)**

1.	When was the New Economic Policy announced?	1
2.	What is meant by devaluation?	1
3.	What is meant by Privatization?	1
4.	What is fiscal deficit?	1
5.	Tax on imports is an example of : a) trade barriers b) collateral	1

	c) terms of trade d) foreign trade	
6.	Under what conditions did the World bank and IMF agree to help India during the crisis?	1
7.	What are multilateral trade agreements?	1

**Short Answers (3 and 4 marks) and Long Answers (6 marks)**

8.	What is W.T.O.? How is working of W.T.O. adversely affecting the interests of developing countries?	3
9.	What was the effect of economic reforms on industrial sector?	3
10.	Mention the fiscal reforms introduced under the New Economic Policy?	3
11.	Discuss a) Difference between Direct and Indirect taxes b) Difference between Tariff and Non Tariff Barriers c) What is GST and what taxes did it subsume d) What were the reasons behind demonetization?	3
12.	Those public sector undertakings which are making profits should be privatized. Do you agree with this view? Why?	3
13.	Why does the agriculture sector appear to be adversely affected in the reform period?	4
14.	Explain the concept of outsourcing? What makes India a favorite destination for outsourcing?	4
15.	Explain the economic reforms initiated during NEP?	4
16.	'Promoting privatization was the objective of the New Economic Policy. In the light of the given statement explain the gains and losses of privatization?	6
17.	Explain the reforms introduced under the liberalization policy in 1991?	6
18.	Write a critical review of NEP in the context of social justice and welfare.	6
19.	What is meant by globalization of the economy? State the measures adopted by the government to promote globalization?	6
<b>Higher Order Thinking Skills (HOTS)</b>		
1.	Write any four argument in favor of economic reforms	
2.	How is the insufficient production of public sector enterprises become a main cause of adaptation of economic reforms?	
3.	Explain the positive impact of economic reforms over Indian economy.	
4.	Explain the negative impact of economic reforms.	



## **Human Capital Formation:**

### **Things to remember:**

Human capital: It refers to the stock of skill and expertise of a nation at a point of time.

Human Capital formation: it refers to the process of adding to the stock of human capital.

Sources of Human capital: expenditure on education, health, on the job training, study programmes for adults, migration and expenditure on information.

Role of Human capital in economic development: Change in emotional and physical environment;

Higher productivity of physical capital; Innovative Skills; Higher rate of participation and equality.

Problems facing Human capital formation in India: Rising Population; Brain drain; Insufficient manpower planning; Insufficient on the job training in primary sector; Low academic standards

Growth of education sector in India: Importance and objectives of education,

Problems relating to educational development in India: large number of illiterates; Inadequate vocationalisation; Gender bias; Low rural access level; Privatisation; Low govt. expenditure on education.

### ***MCQ (1 mark)***

- 1) The stock of skill, ability, expertise, education and knowledge in a nation at a point of time known as
  - a) Human Resource
  - b) Human Development
  - c) Human Capital
  - d) None
- 2) People as a resource means
  - a) Country's fixed capital in terms of their existing productive skills
  - b) Country's working capital in terms of their existing productive skills
  - c) Country's natural capital in terms of their existing productive skills
  - d) None
- 3) A person becomes a human resource when he/she
  - a) Is able to work
  - b) All of the above
  - c) Is willing to work
  - d) Belongs to particular age group
- 4) Land and building are
  - a) Man-made capital
  - b) Human capital
  - c) Natural capital
  - d) None of these
- 5) People of which age group are treated as potential labour force
  - a) 0-6
  - b) 15-35
  - c) 15-60
  - d) 60-70

- 6) Human capital is similar to physical capital because
  - a) Raise nation's ability to produce goods and services
  - b) They are produced factor of production
  - c) Both
  - d) none
- 7) Problems faced by the human capital formation is
  - a) Developed technology
  - b) Rising population
  - c) Devaluation of currency
  - d) Rising prices
- 8) Human capital can be increased by incurring expenditure on
  - a) Improvement in technology
  - b) Improvement of health
  - c) Increase in GDP
  - d) All of these
- 9) Human capital is investment that brings
  - a) Qualitative improvement in labour
  - b) Quantitative improvement in labour
  - c) Both
  - d) None

**Very Short Answers (1 marks)**

1.	What is human capital?	1
2.	What is human capital formation?	1
3.	Why do we need to invest in human capital?	1
4.	Which five year plan recognised the importance of human capital?	1
5.	Why do individuals invest in education?	1
6.	Literacy rates in India have increased but so has the absolute number of illiterates. Why?	1
7.	Differentiate between physical capital and human capital.	1
8.	What are the indicators of educational achievement in a country?	1

**Short Answers (3 and 4 marks) and Long Answers (6 marks)**

9.	Distinguish between human capital and human capital formation.	3
10.	How does rise in economic growth cause human capital?	3
11.	What is the relation between economic growth and Human capital formation?	3
12.	How does the raise in human capital cause economic growth?	3
13.	What are the main problems of human capital formation in India?	6
14.	Explain the various sources of human capital formation?	6
15.	Education is considered an important input for the development of a nation. How?	6

### **Higher Order Thinking Skills (HOTS)**

1.	Why do we observe regional differences in educational attainment in India? <b>(Discuss:</b> The per capita expenditure on education differs from one state to another.)
2.	How is human development a broader term as compared to human capital? <b>(Discuss:</b> Human capital looks at only one aspect, i.e. productivity of labour. Human development looks at other aspects improving quality of life of people and society. Human capital is short term outlook, while human development has a long term outlook)
3.	How government organizations facilitate the functioning of schools and hospitals in India? <b>(Discuss:</b> Govt ensures private providers adhere to certain standards and charge standard prices. Government also facilitate opening and running of government owned educational institutions and hospitals so that the masses can be provided the benefits of these services.)
4.	Establish the need for acquiring information relating to health and education expenditure for the effective utilization of human resources

### **Rural Development:**

Rural Development: it means action plan for economic and social upliftment of the rural areas.

Key issues – rural credit, rural marketing, diversification, organic farming.

Rural credit – Kinds (Short term, Medium term and long term)

Sources of Rural Credit:

- Non Institutional Sources
- Institutional Sources
  - a) Cooperative credit societies
  - b) Commercial banks
  - c) Regional rural banks and Land development banks
  - d) National Bank of Agricultural and Rural Development (NABARD)

Rural or agricultural marketing – it includes gathering the produce after harvesting, processing, grading according to quality, packaging according to buyers preference, storing the produce for future sale, and selling the produce when the price is lucrative.

Measures Initiated by govt. to improve agricultural marketing: i) Regulated markets, ii) Cooperative agricultural marketing societies; iii) Provision of warehousing, iv) Subsidised transport, v) Dissemination of Marketing information, vi) MSP policy vii) Buffer Stock and PDS

Alternative Marketing Channels: i) Direct sale by farmers to households ii) contract sale to MNC's and corporate retails.

Diversification ( Diversification in Crop Production and Diversification of Production Activity – Animal Husbandry, Fisheries, Horticulture, Cottage and Household industry )

Organic Farming.

### **MCQ (1 mark)**

- 1) Agricultural diversification means
  - a) major proportion of the decreasing labour force in the agricultural sector needs to find alternate employment opportunities in other non-farm sectors

- b) major proportion of the increasing labour force in the agricultural sector needs to find alternate employment opportunities in other non-farm sectors
  - c) Minor proportion of the decreasing labour force in the industrial sector needs to find alternate employment opportunities in other non-farm sectors
  - d) None
- 2) Farmers need credit for consumption purpose such as on marriage for birth or death etc. called
- a) Productive credit
  - b) Unproductive credit
  - c) Both
  - d) None
- 3) NABARD stands for
- a) Native Bank for Agriculture and Real Development
  - b) National Bank for Agriculture and Real Development
  - c) Native Bank for Agriculture and Rural Development
  - d) National Bank for Agriculture and Rural Development
- 4) Rural development implies
- a) Providing health facilities in rural areas
  - b) Everything that raises quality of life of rural people
  - c) Development of agriculture
  - d) Spread of agriculture among rural people
- 5) Rural population need short term loans
- a) For buying tractors
  - b) For buying cattle
  - c) For meeting consumption expenditure
  - d) For paying old debt
- 6) Rural population needs long term loan
- a) For buying fertilizers
  - b) For making minor improvements on land
  - c) For buying agricultural machinery
  - d) To buy seeds
- 7) Development of rural marketing relates to
- a) Regulated market
  - b) Transportation
  - c) Storage
  - d) All of these

**Very Short Answers (1 marks)**

<b>Rural Development</b>		
1.	What do you mean by rural development?	1
2.	What is meant by agricultural diversification?	1
3.	What are the 2 aspects of diversification of activities?	1
4.	Which state has an efficient implementation of milk co-operatives?	1
5.	What do you mean by 'Operation Flood'?	1
6.	What is organic farming?	1
7.	Why were Alternative Marketing Channels set up?	1

**Short Answers (3 and 4 marks) and Long Answers (6 marks)**

8.	Why is state intervention necessary to regulate activities of private traders in the rural agricultural sector?	3
9.	Explain the role of micro credit in meeting credit requirements of the poor?	4
10.	Give two basic objectives of the Cooperative credit Societies.	4
11.	Critically appraise the rural banking system in India?	4
12.	What are the measures initiated by the government to improve rural marketing system?	4
13.	Briefly explain the two aspects of diversification of agriculture?	4
14.	Why is rural development significant? What are the key issues involved in its development?	6
15.	Bring the importance of animal husbandry, fisheries and horticulture as a source of diversification?	6
16.	Discuss the benefits and draw backs of organic farming.	6
<b>Higher Order Thinking Skills (HOTS)</b>		
	Organic farming is basically a system of farming that relies upon the use of organic inputs for cultivation like animal manures, composts, etc. Can you tell how India has comparative advantage in organic farming?	
	Why is state intervention necessary to regulate the activities of private traders in the rural agricultural sector?	
	How has horticulture encouraged Indian rural development?	
	Is it possible to develop information technology as an alternate livelihood option? Give reasons	

**Employment and Unemployment:**

Types of workers: Self-employed workers and Hired workers – Casual workers and Regular workers.

Labour Supply: refers to labour( in hours of work) willing to supply corresponding to a wage rate. It changes in response to wage rate.

Labour Force: it refers to number of people who are able to work and willing to work at existing wage rate.

Workforce: it refers to number of people actually in employment.

Size of workforce: Approx. 40 crore persons, 70% male, 30% female.

Rate of Participation in India: Approx 34 percent, rural 42% and urban 52%.

Occupational Structure or Distribution of workforce

Jobless growth: it refers to a situation when GDP grows faster than opportunities for employment, resulting in unemployment.

Casualization and Informalization of workforce:

Casualization: refers to a situation when the percentage of casually hired workers in the total workforce tends to rise.

Informalization: refers to a situation when people tend to find employment more in unorganized sector of the economy than in the organized sector.

Classification of unemployment in India - Rural Unemployment – Disguised and Seasonal Unemployment; Urban Unemployment – Industrial and Educated Unemployment.

Causes of increase in unemployment: Slow economic growth, Population, Agriculture only seasonal occupation, lack of irrigation facilities, Joint family system, decline of cottage and small scale industries, low savings and investment, Limited mobility of labour.

Measures to solve the problem of unemployment.- - General Measures and Government measures.

**MCQ (1 mark)**

- 1) Person who are engaged in their own farm or non-farm enterprises are called as
  - a) If-employed
  - b) Employees
  - c) Workers
  - d) None
- 2) Labour force refers to
  - a) The number of persons usually unemployed
  - b) The number of persons usually employed or willing to be employed
  - c) The number of persons employed forcefully
  - d) None
- 3) The service sector includes activities such as:
  - a) agriculture, dairy, fishing and forestry
  - b) transport, communication and banking
  - c) making sugar, gur and bricks
  - d) none of these
- 4) Female worker participation rate in rural areas is
  - a) Higher in urban areas
  - b) Lower in rural areas
  - c) Lower in both the areas
  - d) Higher in rural areas
- 5) When a labour does not get employment opportunity despite his willingness to work at the existing wage rate.
  - a) Underemployment
  - b) Willingly unemployed
  - c) Unemployment
  - d) None
- 6) Workers enjoy job security in :
  - a) Agriculture Sector
  - b) Unorganized Sector
  - c) Private Sector
  - d) Organised Sector
- 7) Which of the following is false regarding labour force
  - a) Exclude very young and very old people
  - b) Exclude mentally challenged people
  - c) Include those engaged in productive activities
  - d) It includes all member of population

**Very Short Answers (1 mark)**

1.	Who is a worker?	1
2.	What is worker-population ratio/ work-force participation rate?	1
3.	Define technological unemployment.	1
4.	What is the percentage distribution of the workforce in the formal and informal sectors?	1
5.	What constitutes informal sector?	1
6.	Define urban unemployment.	1
7.	Define hired workers.	1
8.	Define casual workers.	1
9.	Define regular workers	1

**Short Answers (3 and 4 marks) and Long Answers (6 marks)**

10.	Why is the worker-participation ratio in urban areas lower than in rural areas in India?	3
11.	Why is the worker-population ratio higher in males than in females in India?	3
12.	Is there any relationship between unemployment and poverty? Explain?	4
13.	What is meant by (1) Open unemployment (2) Disguised (3) Seasonal unemployment	4
14.	Analyse the recent trends in sectoral distribution of work force in India	4
15.	Explain the classification of urban unemployment?	4
16.	Is it necessary to generate employment in the formal sector rather than in the	4
17.	What role does the government play in generating employment opportunities?	6
18.	What are the various types of unemployment?	6
19.	Economic reforms in India since 1991 have only compounded the problem of casualization. Comment.	6
20.	Explain how Casualisation and Informalisation lead to poverty and fragmentation of social harmony?	6
<b>Higher Order Thinking Skills (HOTS)</b>		
1.	Why are casual workers more in rural areas than in urban areas? How can the problem of rural unemployment be solved?	
2.	Discuss the various remedial measures, which are needed to solve the problem of unemployment in India.	

### **Environment and Sustainable Development:**

- Environment: it may be defined as all those conditions and their effects which influence human life. Environment includes biotic (plants, animals) and abiotic components (trees, water, air)
- Problem of pollution – Air, Water and Noise pollution
- Excessive exploitation of resources: i) degradation of land ii) deforestation, iii) excessive use of non-renewable resources.
- Sustainable Development: A process of development that does not cause environment degradation and therefore, does not reduce production capacity of future generations.
- Strategies for sustainable development: i) Input efficient technology ii) use of environment friendly sources of energy, iii) Integrated rural development , iv) use of solar energy, v) organic farming, vi) recycle waste, vii) Stringent laws on disposal of chemical effluents, viii) conserve natural resources, ix) public means of transport.

<b>Environment and Sustainable Development</b>		
1	What is meant by environment?	1
2	What are non-renewable resources?	1
3	What is meant by sustainable development?	1
4	Explain how the opportunity costs of negative environmental impact are high.	1
5	Why must thermal and hydroelectric sources of energy be replaced with other options?	3

6	Differentiate between overuse of resources and misuse of resources.	3
7	What is the Carrying Capacity of the environment?	3
8	How has population explosion and the advent of industrial revolution resulted in	4
9	Explain the concept of supply demand reversal in the context of environmental	4
10	Two major environmental issues facing the world are global warming & ozone	6
11	Suggest the strategies for sustainable development for rural areas?	6
12	What is organic farming? Why should we adopt organic farming?	6
13	What are the factors responsible for land degradation?	6
14	What is Sustainable Development? How can it be achieved?	6

**Higher Order Thinking Skills (HOTS)**

1.	Explain how India's environmental problems are both poverty induced as well as the
2.	Explain the supply demand reversal of environmental resources
3.	Why has environment depletion led to high opportunity costs?

## UNIT 9 –DEVELOPMENT EXPERIENCE OF INDIA, PAKISTAN AND CHINA

### **Things to remember:**

India, Pakistan and China relied on planned development programs.

Economies of India, Pakistan and China did not show any noticeable breakthrough in their growth process till they opened up and integrated themselves with the global economy.

Issues: Growth, Population, Sectorial Development and other development indicators

Common Success -India and Pakistan – i) Substantial rise in GDP per capita, ii) Self Sufficiency in food production, iii) Dualistic nature of the economy gradually declining, iv) considerable reduction in poverty.

Common Failures -India and Pakistan- i) Slow pace of GDP growth , ii) Poor performance in HDI ranking, iii) Dismal fiscal management, iv) Political issues

Areas where India has an edge over Pakistan: Skilled manpower, Investment in education and health.

Areas where Pakistan has an edge over India: Urbanization, Less percentage of people below poverty line, percentage of population having access to improved water resources.

Areas where China has an edge over India: i) China has successfully focused on pro-poor reforms, ii)

Agrarian reforms have been effectively carried out, iii) export driven manufacturing , iv) SEZ policy proved to be boon for FDI flow in China.

### ***MCQ (1 mark)***

1) People's Republic of China was established in

- a) 1949
- b) 1947
- c) 1948
- d) 1950

2) \_\_\_\_\_ announce its five year plan in 1951-56 while \_\_\_\_\_ announced its five year plan in 1956. \_\_\_\_\_ announced its five year plan in 1953

- a) Pakistan, India, China
- b) India, China, Pakistan
- c) Pakistan, China, India
- d) India, Pakistan, China

3) The policy of GLF was announced in

- a) 1950
- b) 1960
- c) 1958
- d) 1955

4) Which policy aimed to combine the establishment of rural communes with a crash programme of village industrialisation

- a) Economic reform
- b) Great Leap Forward
- c) Great Proletarian Cultural Revolution
- d) SEZ

- 5) China introduced major reforms in its economy in
  - a) 1977
  - b) 1979
  - c) 1975
  - d) 1978
- 6) \_\_\_\_\_ has followed the classical development pattern of gradual shift from agriculture to manufacturing and then to services
  - a) India
  - b) Pakistan
  - c) All of these
  - d) China
- 7) In 1965 Mao introduced the \_\_\_\_\_ under which students and professionals were sent to work and learn from country side
  - a) Great Proletarian Cultural Revolution
  - b) SEZ
  - c) Economic reform
  - d) Great Leap Forward
- 8) Which of the following policy was followed by Pakistan
  - a) SEZ
  - b) Great Proletarian Cultural Revolution
  - c) Import substitution
  - d) GLF
- 9) Which of the following is false regarding China
  - a) Sex ratio is biased and low
  - b) Population is very small
  - c) Fertility rate is low
  - d) Density of population is lowest
- 10) Which of the following is false regarding China
  - a) Sex ratio is biased and low
  - b) Population is very small
  - c) Fertility rate is low
  - d) Density of population is lowest

**Very Short Answers (1 mark) Short Answers (3 and 4 marks) and Long Answers (6 marks)**

1.	Name two indicators of human development	1
2.	Name the two areas of development where Pakistan has topped India	1
3.	What is HDI ranking of India, China and Pakistan?	1
4.	Explain how China has an edge over India.	3
5.	What are the common successes shared by India and Pakistan?	3
6.	Why has China succeeded in attracting much greater FDI than India and Pakistan?	3
7.	Define a) infant mortality rate and b) maternal mortality rate. What are these rates in India, China and Pakistan in 2003?	4
8.	Compare the economy of India, Pakistan and China with respect to: Demographic Parameters, Structure of Growth and GDP.	6
9.	Attempt an HDI comparison between India and China.	6
10.	Compare the economic performance indicators of India and Pakistan.	6

11. Comment on the common failures of India and Pakistan? 6

**CBSE SAMPLE QUESTION PAPER (2019-20)**

## ECONOMICS (030)

Time allowed: 3 hours

Maximum Marks: 80

## General instructions:

- i. All the questions in both the sections are compulsory. Marks for questions are indicated against each question.

ii. Question number 1 - 10 and 18 - 27 are very short-answer questions carrying 1 mark each. They are required to be answered in one word or one sentence each.

iii. Question number 11 - 12 and 28 - 29 are short-answer questions carrying 3 marks each. Answers to them should not normally exceed 60-80 words each.

iv. Question number 13 - 15 and 30 - 32 are also short-answer questions carrying 4 marks each. Answers to them should not normally exceed 80-100 words each.

v. Question number 16 - 17 and 33 - 34 are long answer questions carrying 6 marks each. Answers to them should not normally exceed 100-150 words each.

vi. Answer should be brief and to the point and the above word limit be adhered to as far as possible.

## **SECTION - A (Macro Economics)**

6	In an economy, break-even point and equilibrium point may lie at the same level of income, if ex-ante investments are .....  (Fill up the blank with correct answer)	1										
7	State whether the given statement is true or false: ‘Managed Floating Exchange Rate is decided by market forces but remains within a specific range as decided by central bank’.	1										
8	The formula to calculate Primary deficit is .....  (Fill up the blank with correct answer)	1										
9	From the set of statements given in Column I and Column II, choose the correct pair of statements:  <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; padding: 5px;">Column I</th> <th style="text-align: center; padding: 5px;">Column II</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">a) Export of software to France</td> <td style="padding: 5px;">(i) Debit side of current account</td> </tr> <tr> <td style="padding: 5px;">b) Import of Machinery from China</td> <td style="padding: 5px;">(ii) Capital Account of Balance of Payments</td> </tr> <tr> <td style="padding: 5px;">c) Remittances to relative staying abroad</td> <td style="padding: 5px;">(iii) Debit side of Current Account of Balance of Payments</td> </tr> <tr> <td style="padding: 5px;">d) Investment by Apple phones firm in India</td> <td style="padding: 5px;">(iv) Credit side of Current Account of Balance of Payments</td> </tr> </tbody> </table>	Column I	Column II	a) Export of software to France	(i) Debit side of current account	b) Import of Machinery from China	(ii) Capital Account of Balance of Payments	c) Remittances to relative staying abroad	(iii) Debit side of Current Account of Balance of Payments	d) Investment by Apple phones firm in India	(iv) Credit side of Current Account of Balance of Payments	1
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10	Government expenditure on Mid-Day Meal scheme running in government (state run) schools is a type of ..... expenditure in government budget.  (Fill up the blank with correct answer)	1										
11	“India's GDP is expected to expand 7.5% in 2019-20: World Bank” - The Economic Times. Does the given statement mean that welfare of people of India increase at the same rate? Comment with reason.	3										
12	Calculate the value of Marginal Propensity to Consume (MPC), if in an economy, autonomous consumption is ₹ 500 crores, ex-ante investments are ₹ 4000crores and equilibrium level of Income of the economy is ₹ 18,000 crores.  Or Suppose in a hypothetical economy, the savings increase by ₹ 20 crores when national income increases by ₹ 100 crores. Compute the additional investments needed to attain an increase in national income by ₹ 6,000 crores?	3										

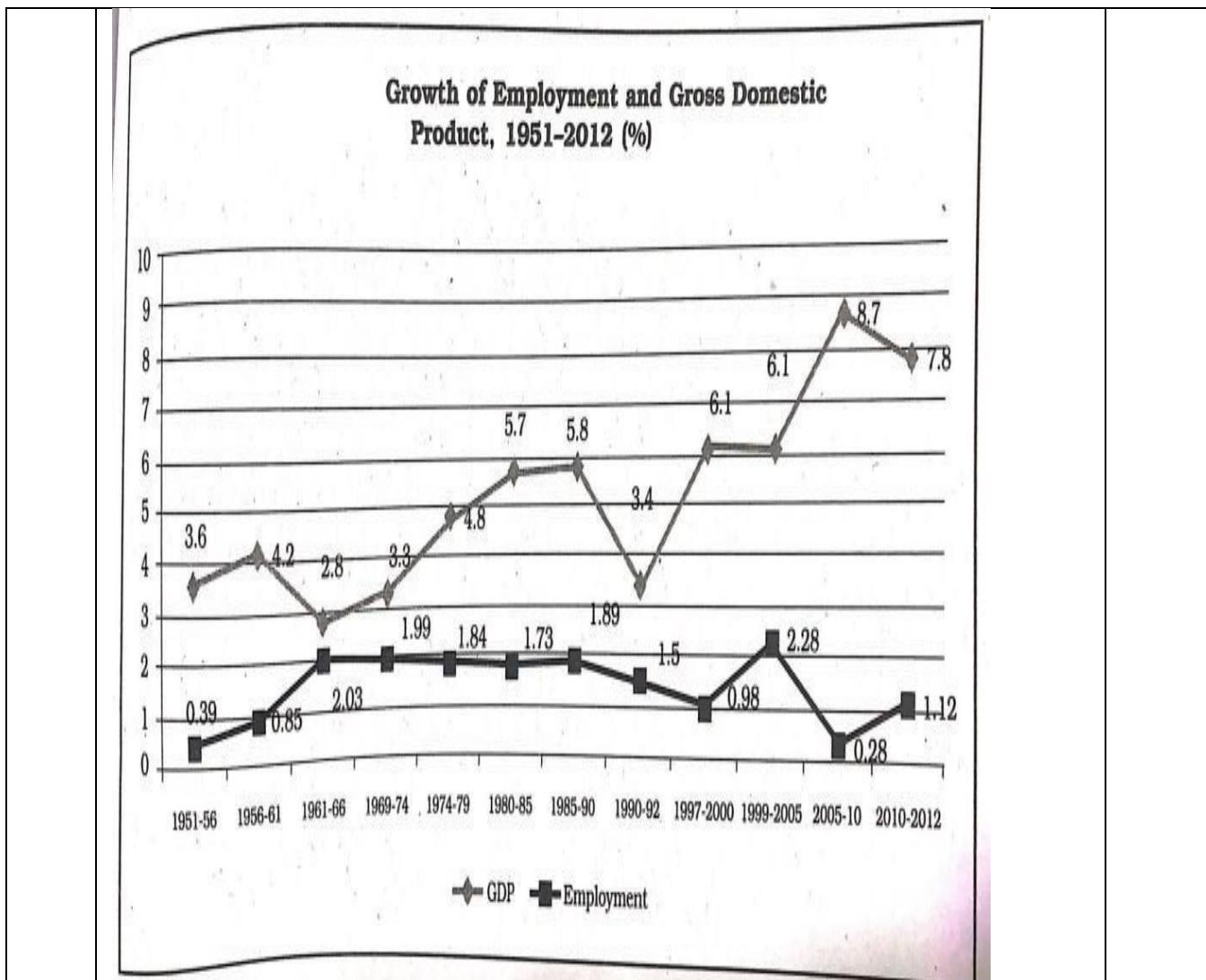
S.no	Particulars	Amount (in ₹crores)		
i.	Capital value of the asset	1,000		
ii.	Estimated life of the asset	20 years		
iii.	Scrap Value	Nil		2

	Or																									
	a) ‘Circular flow of income in a two sector economy is based on the axiom that one’s expenditure is other’s income’. agree with the given statement? Support your answer with valid	3																								
	b) Calculate compensation of employees from the following data:	3																								
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17	‘An economy is operating at under-employment level of income’. What is meant by the given statement? Discuss one fiscal measure and one monetary measure to tackle the situation.	6																								
	<b>SECTION-B (Indian Economic Development)</b>																									
18	Name any two taxes which were subsumed in Goods and Services Tax (GST).	1																								
19	State whether the following statement is true or false: ‘The latest demonetization of currency was undertaken by the Government of India on November 8, 2016’.	1																								
20	Identify the correct sequence of alternatives given in Column II by matching them with respective terms in Column I:																									
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	D. Marketed Surplus      iv. Change in the ownership of land (land to tillers)	
21	Agriculture marketing does not comprise of ..... (Choose the correct alternative) a) Transportation of the produce to the market place for sale.	
	b) Grading of the produce according to the quality. c) Storage of the produce for sale in future. d) Credit taken to meet expenditure on agriculture.	1
22	Under .....type of unemployment, marginal product gained by employing one additional unit of labour is zero. (Fill up the blank with correct answer) Or ..... an indicator which is used for analyzing the employment situation of a country. (Fill up the blank with correct answer)	1
23	In 1955, Karve committee was constituted for aiming the..... (Fill up the blank with correct answer)	1







### CBSE SAMPLE QUESTION PAPER (2019-20)

#### Marking Scheme SECTION - A (Macro Economics)

Ques. No	Description	Marks
1	Decreases	1
2	An intermediate good refers to that good which is purchased during the year by a firm from another for the purpose of further production/resale.	1
3	b) Zero	1

4	i) CRR, ii) SLR, iii) Bank Rate, iv) Repo rate, v) Reverse repo rate (any two) Or Demand deposits are the deposits which can be withdrawn on demand by the depositors from banks.	$\frac{1}{2} + \frac{1}{2}$ 1
5	a) price stability in the economy.	1
6	Zero	1
7	True	1
8	Primary Deficit = Fiscal Deficit - Interest Payments	1
9	c) Remittances to relative staying abroad - (iii) Debit side of current Account of Balance of Payments	1
10	Revenue	1
11	Generally it is considered that an increase in the Gross Domestic Product (GDP) of any economy (India in this case) ensures increase in welfare of the people of the country. However, this may not always be correct. Some of the prime reasons for the same are: a) unequal distribution and composition of GDP, b) non-monetary transactions in the economy which are not accounted for in GDP, and c) occurrence of externalities in the economy (both positive and negative).	3
12	We know that consumption function is: $C = \bar{c} + MPC \cdot Y$ At equilibrium level of Income in the economy $Y = C + I$ Given, Autonomous Consumption ( $\bar{C}$ ) = ₹ 500 crores and Ex-ante Investments (I) = ₹ 4000 crores $18,000 = 500 + MPC(18,000) + 4,000$ $MPC(18,000) = 18000 - 4500$ $MPC = 13,500/18,000$ $MPC = 0.75$  Or $MPS = (\frac{\Delta S}{\Delta Y}) = (\frac{\Delta S}{\Delta Y}) = \frac{20}{100} = 0.20$ $\frac{1}{MPS} = \frac{1}{0.20} = 5$ Investment Multiplier (K) = $\frac{\text{Change in Income}}{\text{Change in Investment}} = (\frac{\Delta Y}{\Delta I})$ Investment Multiplier (K) = $\frac{\text{Change in Income}}{\text{Change in Investment}} = (\frac{\Delta Y}{\Delta I})$ $5 = (\Delta)$  Change in Investment ( $\Delta I$ ) = ₹ 1200 crores Increase in investment by ₹ 1200 crores is required to attain additional income of ₹ 6000 crores.	$\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$

13	<p>Central Bank as government's bank - The Central Bank acts as a banker to both central as well as state governments. The Central Bank accepts receipts and makes payments for the government and carries out exchange, remittance and other banking operations. It advances credit/loan to the government to meet its requirements in case of crisis. It also acts as an agent to buy and sell government securities &amp; advises the government on various financial matters.</p> <p style="text-align: center;">Or</p> <p>Open Market Operations by Central Bank - Open Market Operations refers to buying and selling of government securities (bonds) by the Central Bank from/to the general public. It is an important step which may be undertaken to control money supply in the economy. The Central Bank may sell government securities to reduce the money supply in the hands of general public and vice-versa.</p>	4 4
14	<p>Selling of securities by Foreign Institutional Investors (FII's) in Indian capital market will lead to fall in the supply of foreign currency in the economy. This situation might lead to excess demand of foreign currency at the prevailing foreign exchange rate.</p> <p>As a result, a new equilibrium rate of foreign exchange will be determined which will be higher than the prevailing foreign exchange rate, leading to depreciation of domestic currency.</p> <p style="text-align: center;">Or</p> <p>Investments by large multinational corporations (MNCs) in India will ensure greater inflow of foreign exchange, leading to an increase in the supply of foreign currency. This situation may result into excess supply of foreign currency in the economy at the prevailing foreign exchange rate.</p> <p>As a result, a new equilibrium rate of foreign exchange will be determined which will be lower than the prevailing foreign exchange rate, leading to appreciation of domestic currency.</p>	4 4
15	<p>Reallocation of resources - Government through its budgetary policies tries to reallocate resources to ensure fulfillment of various socio-economic objectives. The government may influence the allocation of resources through:</p> <p>(a) Taxation policy - Heavy taxes may be imposed on harmful products to discourage their production and subsidies may be provided on the production of socially useful products to encourage their production.</p> <p>b) Government may directly undertake production of certain goods and services in the areas where private sector may not be willing to participate in production activities.</p>	4
16	<p>a) The given statement is correct. Real Gross Domestic Product (GDP) is a better indicator of economic growth than Nominal Gross Domestic Product (GDP) as it is not affected by changes in general price level.</p> <p>Numerical Example:</p>	1

	Goods	Price of Current Year (P <sub>1</sub> ) (in ₹)	Price of Base Year (P <sub>0</sub> ) (in ₹)	Quantity of Current Year (Q <sub>1</sub> ) (in units)	Nominal GDP (P <sub>1</sub> Q <sub>1</sub> )	Real GDP (P <sub>0</sub> Q <sub>1</sub> )	
A	20	10		100	2,000	1,000	
B	10	5		200	2,000	1,000	
C	30	20		50	1,500	1,000	
					$\sum P_1 Q_1$ =5,500	$\sum P_0 Q_1$ =3,000	

In the above example the difference between Real GDP ( $\sum P_0 Q_1$ ) and Nominal GDP ( $\sum P_1 Q_1$ ) is  $5,500 - 3,000 = ₹2,500$ .

This is only the monetary difference as the quantity sold in the market remains unchanged and the variation in the value of GDP is merely due to the change in the prices in the economy.

b) ₹50 crores

Or

a) Yes, the given statement is correct. In a two sector economy, the firms produce goods and services and make factor payments to the households. The factor income earned by the households will be used to buy the goods and services which would be equal to income of firms. The aggregate consumption expenditure by the households in the economy is equal to the aggregate expenditure on goods and services produced by the firms in the economy (Income of the producers).

b) Compensation of Employees     = (iii) – (v) – (iv) – (vi+ii+i+vii)  
 $= 200 - 50 - 10 - (25 + 45 + 20 + 5)$

= ₹45 crores.

3

1

½

½

3

1 ½  
1  
½

17	<p>An economy is said to be operating at under employment equilibrium level, if the planned aggregate expenditure falls short of available output in the economy, corresponding to the full employment level. It results into excess of output available over the anticipated aggregate demand at full employment level. To tackle such a situation the aggregate demand has to be increased up to the level that the stocks can be cleared.</p> <p>Following measures may be taken for the same:</p> <p>i) Decrease in taxes: The government under its fiscal policy may decrease the rate of taxes (both direct and indirect taxes). This will ensure greater purchasing power in the hands of general public. This will help to increase aggregate demand and remove the deflationary gap.</p>	2  2
----	---	------------

	ii) Increase in money supply: Central bank through its expansionary monetary policy can increase the money supply in the economy. Central bank can use tools like bank rate, cash reserve ratio, repo and reverse repo rates etc. to ensure greater money in the hands of general public which would in turn increase the aggregate demand in the economy and be helpful in reducing/removing the deflationary gap.	2
<b>SECTION-B (Indian Economic Development)</b>		
18	Value added tax, service tax, excise duty, sales tax. (any two correct alternatives)	$\frac{1}{2} + \frac{1}{2}$
19	True	1
20	b) iii , iv, i , ii	1
21	d) Credit taken to meet agriculture expenditure.	1
22	Disguised Or Work force participation rate	1
23	Development of small scale industries	1
24	d) ii , iv , i, iii	1
25	Photovoltaic cell	1
26	b) iv, ii, i, iii	1
27	c)1988	1

28	<p>The given statement is quite appropriate. Indian traditional practices were environment friendly and worked as complementary to the system and not its controller. The traditional agriculture system, healthcare system, housing, transport etc. were intrinsically environment friendly. The traditional practices used natural products and processes which are more or less free from side effects. For example by adopting medicinal plants/products we can conserve the resources and achieve the objective of sustainable development.</p> <p style="text-align: center;">Or</p> <p>The given statement states about the insufficiency of the installed capacity of production of power in India. If the Indian economy wants to touch the GDP growth rate between 7-8% it must target to produce electricity with a growth rate of 7% which is not possible with the present production capacity in the power sector. Thus, we need to work in two directions to improve installed capacity:</p> <ul style="list-style-type: none"> <li>i. increased investments (by both public and private players) in the power generation sector.</li> <li>ii. better utilization of the present infrastructure.</li> </ul>	3
29	<p>Investment in education system in India has been a woeful failure. The fact of the matter is that, in 1952 we were spending a meager 0.6% of our GDP on education that rose to only 4% in 2014. This has fallen well short of 6% target as proposed by the Education Commission, 1964. Moreover, throughout this period the increase in education expenditure has not been uniform and there has been irregular rise and fall.</p> <p>This shows the apathy of the government towards investment in the education system. One can imagine, if the recommended 6% p.a. of the GDP would have been spent properly the present education system would have reached unforeseen heights.</p>	3
30	<p>The given statement is true to its character. The foreign investments, both Foreign Direct Investment (FDI) and Foreign Institutional Investment (FII), have increased from about US \$100 million in 1990-91 to US \$ 74 billion recently. This has changed the status of India from a ‘begging bowl’ in 1990’s to a ‘selfdependent’ economy in the present ages. Due to the opening up of the Indian Economy, she has become one of the largest foreign exchange reserve holders in the world. India been able to register an increase in the foreign exchange reserves from about US \$ 6 billion in 1990-91 to about US \$ 321 billion in 2014-15.</p>	2

31	<p>a) Disinvestment: Privatisation of the public sector enterprises (PSEs) by selling off a part/whole of the equity to the general public or any private sector player is known as disinvestment.</p> <p>Outsourcing: Hiring of regular service from external sources, mostly from foreign countries, which was previously provided internally or from within the country is known as outsourcing.</p> <p style="text-align: center;">OR</p> <p>a) Import Substitution: The policy aimed at replacing or substituting imports with domestic production by protecting the domestic industries from foreign competition is known as Import Substitution.</p> <p>b) Quota: Quantitative restrictions on imports for the protection of the domestic firms from foreign competition. Under this quantity of goods which can be imported is specified by the state.</p>	<p>2</p> <p>2</p> <p>2</p> <p>2</p>
32	<p>a) The given data shows that the annual growth rate of population is maximum in Pakistan standing at 2.1%, whereas; the same stands at a meager 0.5% in case of China (might be a direct result of the One Child Policy adopted). The annual population growth rate of India is in the danger zone of more than 1% p.a. India will be overtaking China as the most populous country in the world in near future.</p> <p>b) Amongst the three countries stated above, India has most skewed data sex ratio (929 female per 1000 male). This is one of the major concerns for the demographers in India.</p>	<p>3</p> <p>1</p>
33	<p>Mahatma Gandhi had always maintained that the real growth of India lies in the growth of villages. The importance of rural development in India lies in the fact that 2/3<sup>rd</sup> of the population still (directly or indirectly) depends on agriculture and around 1/3<sup>rd</sup> of the rural population still lives in abject poverty.</p> <p>Some of the prime areas for the development of the rural India may be quoted as follows:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Infrastructure development – is the key to any development process. Basic infrastructure requirement like electricity, irrigation, credit availability, transport facilities, construction of village roads and feeder</li> </ul>	<p>2</p>
	<ul style="list-style-type: none"> <li>roads to nearby highways, etc. are the area which still need attention of the government so as to gain commanding heights.</li> <li>• Alleviation of poverty - poverty in rural India is an area that should be taken up as a mission for improvement in the living conditions of particularly those living at the bottom of pyramid. This problem may be tackled by emphasizing on greater access to productive employment opportunities.</li> <li>• Development of Human Capital – Rural human capital must be developed by taking sincere steps in the direction of education and health.</li> </ul>	<p>2</p> <p>2</p>

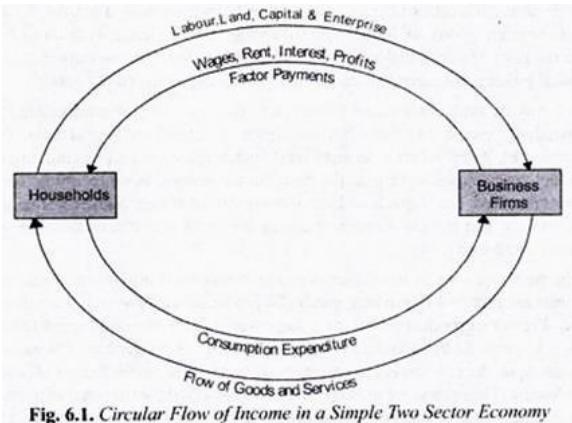
<p>34</p> <p>The health system in India has undoubtedly improved over the years but the pace of improvement has been unreasonably slow and truly we carry an unhealthy health system. Following may be the most important concerns ailing Indian health system:</p> <ul style="list-style-type: none"> <li>• Low Public Expenditure – In India the health expenditure as a percentage of GDP is abysmally low as compared to some of the major developing countries. It stood at around 4.7% of the total GDP in the year 2014-15.</li> <li>• Urban Rural Divide – People living in rural India do not have sufficient medical infrastructure. Nearly 70% of the population lives in rural areas which have only 20% of the total hospitals of the country.</li> <li>• Women and child health issues - More than 50 per cent of married women in the age group of 15–49 years have iron deficiency, which has contributed to maternal deaths. Infant Mortality Rate per 1,000 live births in India is 34. Malnutrition and inadequate supply of vaccines lead to the death of millions of children every year.</li> </ul> <p style="text-align: center;">Or</p> <p>The period between 1990 to 2012 had been a significant one. Introduction of Economic Reforms in India has changed everything in India. Variables shown in the given graph show that GDP growth rate has taken an upwards tread over the years whereas the situation of Employment growth rate has seen major fluctuations while going down in overall trend.</p> <p>GDP growth rate has increased from a meager 3.4% in 1991 to 7.8% in 2012. However the employment growth rate has shown declining trends from 1.5% in 1991 to 1.12% in 2012. Between the period 1999-2005 the employment generation rate was at peak since independence i.e. 2.28% p.a. with the corresponding GDP growth rate standing at a decent 6.1% p.a.</p> <p>The gap between the two variables is maximum between the period 2005-10 when the employment growth rate hit the lowest in history of Independent India i.e. 0.28%. In the same period the GDP growth rate had hit the highest level since independence to the tune of 8.7% p.a. Indian economy has witnessed the peculiar phenomena of ‘jobless growth’ over all these years. Learning from the situation government had put in serious efforts on employment front and brought it to a level of 1.12% p.a. between the period 2010-12. In all the period between 1990-2012 has been a real roller coaster ride for the India economy on the two front of GDP and Employment Growth rate.</p>	<p>2</p> <p>2</p> <p>6</p>
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<b>PERIODIC TEST I (2019-20) SET 1</b>					
<b>Subject:</b> ECONOMICS	<b>Max Tim</b>				
<b>Grade:</b>					
<b>Name:</b>	<b>Section:</b>		<b>Roll No:</b>		
<b><u>General Instructions:</u></b>					
<ul style="list-style-type: none"> <li>• This question paper consists of 3 printed pages.</li> <li>• All Questions are compulsory</li> <li>• All answers to be written in the answer sheet provided.</li> </ul>					
<b>1.</b>	Which of the following items is a part of compensation of employees? 1				
	a.	Entertainment allowance to an employee to entertain business guests	b. Medical expenses of a firm on treatment of employee's family		
	c.	Payment of a claim of insurance claim by LIC to the injured worker	d. Employee's contribution to provident fund		
<b>2.</b>	Net market value of all the final goods and service produced by normal residents of a country during an accounting year is called 1				
	a.	GDPfc	b. NNPfc		
	c.	NNP mp	d. Net exports are positive		
<b>3.</b>	GDP Deflator is 1				
	a.	= (Real GDP/Nominal GDP) x100	b. = (Nominal GDP/Real GDP) x100		
	c.	= (Nominal GDP/Current Price Index) x100	d. = Nominal GDP - Real GDP		
<b>4.</b>	Which items are not included in M1? 1				
	a.	Inter-bank deposits	b. Other deposits with RBI		
	c.	Currency and coins with public	d. Net demand deposits with banks		
<b>5.</b>	What is meant by Statutory Liquidity Ratio?				
<b>6.</b>	Define externalities.				
<b>7.</b>	“Money flows are opposite to real flows”. Explain.				

8.	Briefly describe the components of domestic factor incomes.	3																																																
9.	From the following data, calculate the (i) Value added by Firm A and (ii) Value added by Firm B <table border="1" data-bbox="251 418 1171 1170"> <thead> <tr> <th>S. No.</th><th>Particulars</th><th>Rs in lakhs</th></tr> </thead> <tbody> <tr> <td>i.</td><td>Purchase by Firm A from ROW</td><td>40</td></tr> <tr> <td>ii.</td><td>Sales by Firm B</td><td>150</td></tr> <tr> <td>iii.</td><td>Purchase by Firm A from Firm B</td><td>70</td></tr> <tr> <td>iv.</td><td>Exports of Firm B</td><td>20</td></tr> <tr> <td>v.</td><td>Sales by firm A to Household</td><td>160</td></tr> <tr> <td>vi.</td><td>Exports of Firm A</td><td>40</td></tr> <tr> <td>vii.</td><td>Opening stock of firm A</td><td>45</td></tr> <tr> <td>viii.</td><td>Closing stock of Firm A</td><td>20</td></tr> <tr> <td>ix.</td><td>Opening stock of Firm B</td><td>40</td></tr> <tr> <td>x.</td><td>Purchase of machinery by Firm B</td><td>100</td></tr> <tr> <td>xi.</td><td>Indirect taxes by Firms</td><td>10</td></tr> <tr> <td>xii.</td><td>Subsidies</td><td>20</td></tr> <tr> <td>xiii.</td><td>Net factor income from abroad</td><td>(-)10</td></tr> <tr> <td>xiv.</td><td>Closing stock of Firm B</td><td>30</td></tr> <tr> <td>xv.</td><td>Purchases by Firm B from Firm A</td><td>60</td></tr> </tbody> </table>	S. No.	Particulars	Rs in lakhs	i.	Purchase by Firm A from ROW	40	ii.	Sales by Firm B	150	iii.	Purchase by Firm A from Firm B	70	iv.	Exports of Firm B	20	v.	Sales by firm A to Household	160	vi.	Exports of Firm A	40	vii.	Opening stock of firm A	45	viii.	Closing stock of Firm A	20	ix.	Opening stock of Firm B	40	x.	Purchase of machinery by Firm B	100	xi.	Indirect taxes by Firms	10	xii.	Subsidies	20	xiii.	Net factor income from abroad	(-)10	xiv.	Closing stock of Firm B	30	xv.	Purchases by Firm B from Firm A	60	4
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10.	Explain the following functions of central bank: a. Banker's Bank b. Calculate (i) the value of money multiplier and total deposit created if initial deposit is Rs. 4000 crores and LRR is 10% (ii)the change in total deposit created if the LRR is decreased to 8 %	4																																																
11.	How are the following treated while calculating national income of India? Give reasons for your answers. i. Payment of telephone bill ii. Expenditure on repair of fixed capital asset. iii. Direct purchases made by households abroad iv. Compensation of employees given to residents of China working in Indian embassy in China.	4																																																

12.	a.	How is Real GDP different from Nominal GDP? Use example.	6																																				
	b.	Calculate Gross National Product at market price from the following data:																																					
		<table border="1"> <thead> <tr> <th></th> <th>Particulars</th> <th>Rs in crores</th> </tr> </thead> <tbody> <tr> <td>(i)</td> <td>Mixed income of self employed</td> <td>2500</td> </tr> <tr> <td>(ii)</td> <td>Net capital formation</td> <td>1600</td> </tr> <tr> <td>(iii)</td> <td>Net indirect taxes</td> <td>700</td> </tr> <tr> <td>(iv)</td> <td>Compensation of employees</td> <td>3000</td> </tr> <tr> <td>(v)</td> <td>Net factor income from abroad</td> <td>(-) 200</td> </tr> <tr> <td>(vi)</td> <td>Change in stock</td> <td>300</td> </tr> <tr> <td>(vii)</td> <td>Gross fixed capital formation</td> <td>1500</td> </tr> <tr> <td>(viii)</td> <td>Operating surplus</td> <td>5000</td> </tr> <tr> <td>(ix)</td> <td>Profits</td> <td>2000</td> </tr> <tr> <td>(x)</td> <td>Exports</td> <td>700</td> </tr> <tr> <td>(xi)</td> <td>Imports</td> <td>1000</td> </tr> </tbody> </table>		Particulars	Rs in crores	(i)	Mixed income of self employed	2500	(ii)	Net capital formation	1600	(iii)	Net indirect taxes	700	(iv)	Compensation of employees	3000	(v)	Net factor income from abroad	(-) 200	(vi)	Change in stock	300	(vii)	Gross fixed capital formation	1500	(viii)	Operating surplus	5000	(ix)	Profits	2000	(x)	Exports	700	(xi)	Imports	1000	
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PERIODIC TEST I (2019-20) SET 1 ANSWER KEY		
<b>Subject: ECONOMICS</b>		<b>Max Tim</b>
<b>Grade:</b>		
<b>Name:</b>	<b>Section:</b>	<b>Roll No:</b>
2. b. Medical expenses of a firm on treatment of employee's family		
c. NNP mp		
3. b. = (Nominal GDP/Real GDP) x100		
4. a. Inter-bank deposits		
5. What is meant by Statutory Liquidity Ratio? It is the percentage of deposits of commercial banks held in the form of liquid assets with themselves		1
6. Define externalities. It refers to the benefits or harm which are caused by one unit to another with no payment received for the benefit and no payment made for the harm.		1
7. "Money flow are opposite to real flow". Explain. Ans: Money flows refer to the flow of income from Firms to household in return for factor		3

	<p>services provided by households to firms which is a real flow          Money flow also includes flow of consumption expenditure in return from households to firms in form of consumption expenditure from households to firms which in return for goods from firms to households.</p>  <p><b>Fig. 6.1. Circular Flow of Income in a Simple Two Sector Economy</b></p>	
8.	<p>Ans:</p> <p>It includes the following:</p> <ol style="list-style-type: none"> <li>1. COE: remuneration paid by employers in return for factor services rendered by employees. It has             <ol style="list-style-type: none"> <li>(i) Wages and salaries</li> <li>(ii) COE in kind</li> <li>(iii) Employers contribution to social security schemes</li> </ol> </li> <li>3. Operating surplus: It includes             <ol style="list-style-type: none"> <li>(i) Rent</li> <li>(ii) Interest</li> <li>(iii) Profit</li> <li>(iv) Royalty</li> </ol> </li> <li>4. Mixed income of self employed</li> </ol>	3
9.	<p>(i) VA of A = Rs.335 lakhs          (ii) VA of B = Rs. 80 lakhs          (2+2)</p>	4
10.	<p>Ans:</p> <p>a. Banker's Bank:</p> <p>As a Custodian of cash reserves, central bank holds a part of the cash reserves of banks because the commercial banks are supposed to deposit CRR with Central bank as a measure of credit control</p> <p>As a clearing house function provides central clearing and remittance facilities. the Central bank clears any settlement of claims of one bank against other with transfers through</p>	4

	accounts As lender of last resort it makes short term credit available to them. As a supervisor, it supervises, regulates and controls the commercial banks, related to licensing, branch bank expansion, liquidation , amalgamation mergers etc b. (i) Money multiplier = 10 Total money created = Rs. 40000 (0.5+0.5) (ii)Total money created = Rs. 50000. Increase in total money created = 10000 (0.5+0.5)	
<b>11.</b>	Ans: i. Included. It is part of PFCE ii. Not included. It is intermediate expenditure. It does not add to existing stock of capital iii. Not included. It is expenditure made on goods produced abroad. iv. Not included. It is earned by Non resident of India	4
<b>12.</b>	a. Nominal GDP refers to money value of final goods and services produced in a country in a year, measured at current year prices. Whereas Real GDP refers to money value of final goods and services produced in a country in a year measured at price of base year. Any example with year and price of base year and current year and the calculation of real and nominal gdp.	3 + 3
	b. GNPs mp = 3000+5000+2500-200+700+(1500+300-1600)= 11200 crores (3)	

 <b>مدرسۃ دلھی الخاصۃ د.م.م.</b> <b>DELHI PRIVATE SCHOOL L.L.C.</b> <small>Affiliated to C.B.S.E., DELHI</small> <small>(Approved &amp; Recognized By Ministry of Education - United Arab Emirates)</small>				
<b>PERIODIC TEST I (2019-20) SET 2</b>				
<b>Subject: ECONOMICS</b>	<b>Max. Marks: 30</b>			
<b>Grade: XII</b>	<b>Time: 1Hour 10mins</b>			
<b>Name:</b>	<b>Section:</b>	<b>Roll No:</b>		
<b><u>General Instructions:</u></b>				
<ul style="list-style-type: none"> <li>• This question paper consists of 2printed pages.</li> <li>• All answers to be written in the answer sheet provided.</li> <li>• All questions are compulsory.</li> </ul>				
	<b>Multiple Choice Questions:</b>			
			1 each	
<b>1</b>	Market price and Factor cost will be equal when there is			
	<b>a.</b>	No direct tax	<b>b.</b>	No indirect tax
	<b>c.</b>	No subsidy	<b>d.</b>	No indirect tax and no subsidy
<b>2</b>	Depreciation of a fixed assets refer to			
	<b>a.</b>	Normal wear and tear	<b>b.</b>	Foreseen obsolescence
	<b>c.</b>	Normal wear and tear and foreseen obsolescence	<b>d.</b>	Unforeseen obsolescence
<b>3</b>	Which of the following is a stock?			
	<b>a.</b>	Wealth	<b>b.</b>	Saving
	<b>c.</b>	Exports	<b>d.</b>	Profits
<b>4</b>	The most liquid form of money			
	<b>a.</b>	M1	<b>b.</b>	M2
	<b>c.</b>	M3	<b>d.</b>	M4
<b>5</b>	If the total deposits created by commercial banks is Rs12000 crores and legal reserve requirement is 25%, then calculate the amount of initial deposits.			1
<b>6</b>	If Real GDP is Rs 200 and Price Index is 110.Calculate Nominal GDP.			1
<b>7</b>	How are the following items while calculating national income? Give reasons.			3

	(a) Purchase of a car from a friend. (b) Interest received on debentures. (c) Salaries received by the US residents working in US Embassy in India.																																											
<b>8</b>	Who is a ‘normal resident’ of a country? Are the following normal residents of India? (a) Indian officials working in Indian Embassy in UK (b) Indian workers employed in power projects of Nepal on daily wages and crossing into Indian territory every week.	3																																										
<b>9</b>	Explain the Circular Flow of income.	4																																										
<b>10</b>	(a) Explain the function of Central Bank as a ‘Banker to Government’. (b) How does RBI use Repo rate to make credit costlier in the economy? Explain.	4																																										
<b>11</b>	From the data below calculate ‘Net Value Added at Factor Cost’ <table border="1"> <thead> <tr> <th>S. No</th> <th>Items</th> <th>Rs in Crores</th> </tr> </thead> <tbody> <tr> <td>i</td> <td>Opening Stock</td> <td>200</td> </tr> <tr> <td>ii</td> <td>Closing Stock</td> <td>400</td> </tr> <tr> <td>iii</td> <td>Purchase of raw material from domestic market</td> <td>300</td> </tr> <tr> <td>iv</td> <td>Sales</td> <td>1,200</td> </tr> <tr> <td>v</td> <td>Corporate Tax</td> <td>100</td> </tr> <tr> <td>vi</td> <td>Undistributed Profits</td> <td>50</td> </tr> <tr> <td>vii</td> <td>Imports</td> <td>50</td> </tr> <tr> <td>viii</td> <td>Exports</td> <td>150</td> </tr> <tr> <td>ix</td> <td>Purchase of machines from domestic market</td> <td>100</td> </tr> <tr> <td>x</td> <td>CFC</td> <td>200</td> </tr> <tr> <td>xi</td> <td>Indirect taxes</td> <td>150</td> </tr> <tr> <td>xii</td> <td>Subsidies</td> <td>50</td> </tr> <tr> <td>xiii</td> <td>Wages &amp; Salaries</td> <td>350</td> </tr> </tbody> </table>	S. No	Items	Rs in Crores	i	Opening Stock	200	ii	Closing Stock	400	iii	Purchase of raw material from domestic market	300	iv	Sales	1,200	v	Corporate Tax	100	vi	Undistributed Profits	50	vii	Imports	50	viii	Exports	150	ix	Purchase of machines from domestic market	100	x	CFC	200	xi	Indirect taxes	150	xii	Subsidies	50	xiii	Wages & Salaries	350	4
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12	<p>(a) Explain how 'distribution of gross domestic product' is a limitation in taking Gross Domestic Product as an index of welfare.</p> <p>(b) Calculate <b>GNP<sub>fc</sub></b> from the following data.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; padding: 5px;"><b>S. No</b></th><th style="text-align: center; padding: 5px;"><b>Items</b></th><th style="text-align: center; padding: 5px;"><b>Rs in Crores</b></th></tr> </thead> <tbody> <tr><td style="padding: 5px;">i.</td><td style="padding: 5px;">Net domestic capital formation</td><td style="padding: 5px; text-align: right;">500</td></tr> <tr><td style="padding: 5px;">ii.</td><td style="padding: 5px;">Compensation of Employees</td><td style="padding: 5px; text-align: right;">1,850</td></tr> <tr><td style="padding: 5px;">iii.</td><td style="padding: 5px;">Consumption of fixed capital</td><td style="padding: 5px; text-align: right;">100</td></tr> <tr><td style="padding: 5px;">iv.</td><td style="padding: 5px;">Government final consumption expenditure</td><td style="padding: 5px; text-align: right;">1,100</td></tr> <tr><td style="padding: 5px;">v.</td><td style="padding: 5px;">Personal consumption expenditure</td><td style="padding: 5px; text-align: right;">2,600</td></tr> <tr><td style="padding: 5px;">vi.</td><td style="padding: 5px;">Rent</td><td style="padding: 5px; text-align: right;">400</td></tr> <tr><td style="padding: 5px;">vii.</td><td style="padding: 5px;">Dividends</td><td style="padding: 5px; text-align: right;">200</td></tr> <tr><td style="padding: 5px;">viii.</td><td style="padding: 5px;">Interest</td><td style="padding: 5px; text-align: right;">500</td></tr> <tr><td style="padding: 5px;">ix.</td><td style="padding: 5px;">Net Exports</td><td style="padding: 5px; text-align: right;">(-) 100</td></tr> <tr><td style="padding: 5px;">x.</td><td style="padding: 5px;">Profits</td><td style="padding: 5px; text-align: right;">1,100</td></tr> <tr><td style="padding: 5px;">xi.</td><td style="padding: 5px;">Net factor income to abroad</td><td style="padding: 5px; text-align: right;">50</td></tr> <tr><td style="padding: 5px;">xii.</td><td style="padding: 5px;">Net Indirect taxes</td><td style="padding: 5px; text-align: right;">250</td></tr> </tbody> </table>	<b>S. No</b>	<b>Items</b>	<b>Rs in Crores</b>	i.	Net domestic capital formation	500	ii.	Compensation of Employees	1,850	iii.	Consumption of fixed capital	100	iv.	Government final consumption expenditure	1,100	v.	Personal consumption expenditure	2,600	vi.	Rent	400	vii.	Dividends	200	viii.	Interest	500	ix.	Net Exports	(-) 100	x.	Profits	1,100	xi.	Net factor income to abroad	50	xii.	Net Indirect taxes	250	3+3
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<b>PERIODIC TEST I (2019-20) SET 2</b>	
<b>ANSWER KEY</b>	
Subject: Economics	Max
Grade: XII	Time: 1ho
I    Multiple Choice Questions:	1 e a c h
1. No indirect tax and no subsidy	
2. Normal wear and tear and Foreseen obsolescence	
3.      a. Wealth	
4.      a. M1	
5. (a) $MM = 1 / LRR = 1 / 0.25 = 4$ $ID = TD / MM = 12,000 / 4 = \text{Rs}3000$ crores.	1
6. Real GDP = Nominal GDP / Price Index *100	

	Nominal GDP = $200 \times 110 / 100 = 220$	1
7.	(a) Purchase of a car from a friend- Not included.as it is second hand car, it would have been accounted for in the year of its original purchase (b) Interest received on debentures- included as it factor income, included as part of OS (c) Salaries received by the US residents working in US Embassy in India- Not included as it is earned by a foreign resident ( no marks to be awarded if only included/not included given without reasoning)	1 e a c h
8.	Normal residents refer to persons or institutions who normally (i) reside in a country for a year and above (ii) whose centre of economic interest lie within the country. Are the following normal residents of India? (c) Indian officials working in WHO located in India – Normal resident as employees of IN organisations are considered residents of the countries they belong and not the IN area. (d) Indian workers employed in power projects of Nepal on daily wages and crossing into Indian territory every week. – Normal residents as they belong to the country where they live and not where they work.	1 e a c h
9.	The circular flow of income to be explained with the help of diagram.	4

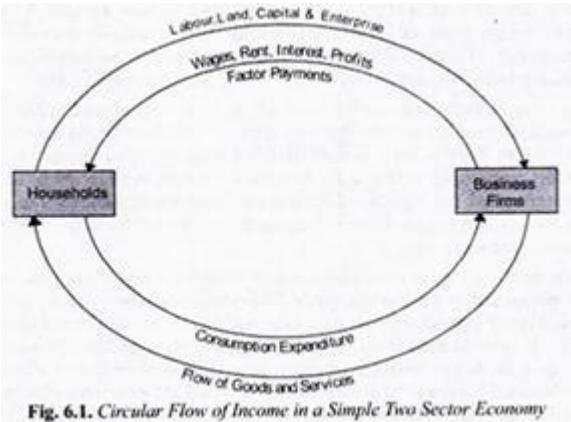


Fig. 6.1. Circular Flow of Income in a Simple Two Sector Economy

(Diagram – 1 mark)

Circular flow refers to flow of income and goods and services across different sectors of an economy.

Assumption- Economy is a two sector economy with HH and firms

It has 2 flows – Real Flow – it refers to the flow of factor services in the form of land, labour, capital and organization from HH (as HH are owners of factors) to firms and goods and services from firms (as firms are producers for goods and services) to HH.

Money flow- In return for the factor services the firms make factor payment sin the form of rent, interest, profit and wages and salaries to HH and the HH make consumption expenditure on the goods and services provided by Firms. (2)

	Therefore, the Real flow and money flow move in the opposite directions. The real flow of factor services and goods and services = money flow of factor incomes and consumption expenditure (1 mark)	
10	(a) Banker to government – It acts as a banker to all central and state governments, it accepts and make payments on behalf of the government, it extends short term credit to govt, it manages the public debt of the govt, it manages the new issues of govt loans (1+1)  (b) Repo rate is the rate at which RBI lends to commercial banks. In order to make the credit costlier, the repo rate is increased. The commercial banks will borrow less from the RBI and in turn the lending capacity of commercial banks .will decrease and also the commercial banks will lend to public at a higher market rate. Thus the credit becomes expensive (1+1)	4
11	NVA <sub>fc</sub> = iv + (ii-i) – (iii) – vii - ( x) – (xi-xii) = Rs 350 crores. <b>(2 marks till GVA mp + 2 marks for NVA fc)</b>	4
12	(a) Distribution of income As limitation of economic welfare- If there is inequality in the distribution of income such that concentration of income is in few hands only resulting in making the rich more richer and poor more poorer, it will reduce economic welfare . If with rise of income inequality also increases then it may reduce welfare .  (b) GNPfc = (iv) + (v) +(i) + (iii)+(ix)+ ( xi) – (xii) = <b>Rs3900crores</b>	3 + 3

<b>FIRST TERM EXAMINATION (2019-2020) SET 1</b>		
<b>Subject: Economics</b>	<b>Max.</b>	
<b>Grade: 12</b>	T	
<b>Name:</b>	<b>Section:</b>	<b>Roll No:</b>
<b>General Instructions:</b>		
<ul style="list-style-type: none"> <li><i>This question paper consists of 4 printed pages.</i></li> <li><i>All answers to be written in the answer sheet provided.</i></li> </ul>		
	<b>Section A: Microeconomics</b>	
1.	'Machine' purchased is always a final good.' Do you agree? Give reasons for your answer.	
2.	If the quantity of goods and services produced in the economy decreases, a) real GDP would certainly increase b) it may be possible for real GDP to increase c) nominal GDP would certainly increase d) it may be possible for nominal GDP to increase	

3.	Why are exports included in the estimation of domestic product by the expenditure method?	1
4.	Which of the following affects national income? (Choose the correct alternative) a) Goods and Services tax b) Corporation tax c) Subsidies d) None of the above	1
5.	“National income can never be less than Domestic Income.” Is the statement True or False? Justify	1
6.	Which measure of money is considered as the transaction money: a) M1 b) M2 c) M3 d) M4	1
7.	What is meant by Margin Requirement?	1
8.	What is the significance of the 45 degree line in Keynesian economics?	1
9.	Select the statement that is <b>False</b> - The value of APC can be : a. Equal to Zero b. Less than zero c. Greater than 1 d. Less than 1 but positive	1
10.	During deficient demand, the central bank will employ a a) Easy monetary policy b) Easy fiscal policy c) Tight monetary policy d) Tight fiscal policy	1
11.	“MPC can be greater than 1.” State True or false giving reason.	1
12.	By using only the aggregate demand curve, we can determine _____ of the economy a) only the price level b) only the quantity of real GDP c) both the price level and quantity of real GDP. d) neither the price level nor the quantity of real GDP	1
13.	Define involuntary unemployment.	1
14.	A government budget shows a primary deficit of Rs 4500 crores. The revenue expenditure	1

	<p>on interest payments is Rs 500 crores. How much is the fiscal deficit?</p> <p><b>OR</b></p> <p>What does zero primary deficit indicate?</p>	
15.	Is “Profit of public sector undertaking” capital or revenue receipt? Give reason.	1
16.	Is a balanced budget good for India?	1
17.	What is double counting? How can it be avoided?.	3
18.	<p>In an economy planned spending is less than planned output. Explain all the changes that will take place in the economy using diagram.</p> <p><b>OR</b></p> <p>Given Consumption curve, derive savings curve and give the steps taken in the process of derivation. Show where <math>APC = 1</math>. Use Diagram.</p>	3
19.	<p>Answer both part “a” and “b”</p> <p>a) How does the government achieve the objective of reallocation of resources through the Budget?</p> <p>b) What is fiscal deficit and what are its implications?</p>	6
	<b>INDIAN ECONOMICS</b>	( 2 0 )
20.	<p>In the history of demographic transition, which year is regarded as the year of great divide and why?</p> <p><b>OR</b></p> <p>Why did India not benefit from the surplus trade balance it had under the British rule?</p>	1
21.	<p>_____ was developed by the British Raj as a means to enlarge the size of market for the British goods</p> <ol style="list-style-type: none"> <li>Post and telegraph</li> <li>Iron and steel</li> <li>Railways</li> <li>IT</li> </ol>	1
22.	<p>Largest share of work force which was 72% was engaged in</p> <p>a. Secondary sector</p>	1

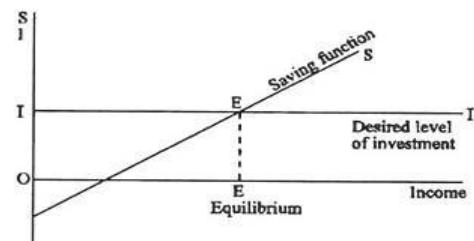
	b. Tertiary sector c. Primary sector d. None of these	
23.	Distinguish between equitable distribution and equal distribution in the context of planning objectives.	1
24.	India had occupied a place of eminence in the area of foreign trade since ancient times. But the British rule in India ended this eminence. Explain the state of foreign trade to justify your answer.	3
25.	Does modernization as a planning objective create contradiction in the light of employment generation? Explain <b>OR</b> Discuss Modernization as a long-term objective of Planning	3
26.	Discuss the achievements of India's with respect to the goals of planning <b>OR</b> Discuss the features of Economic Policy between 1951-1991	4
27.	How did the British rule deindustrialize the Industrial sector in India. Explain. <b>OR</b> Write a short note on: a) Land revenue system under the British b) State of agricultural sector on the eve of Independence	6

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### FIRST TERM EXAMINATION (2019-2020) SET 1

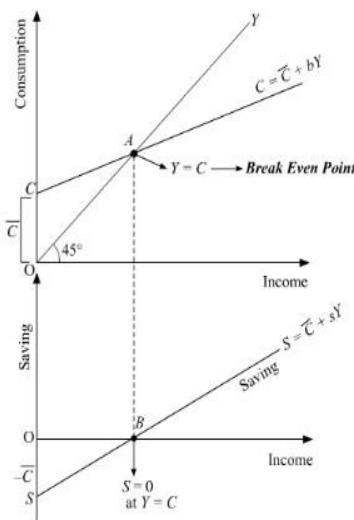
<b>Subject:</b> Economics	<b>Max.</b>	
<b>Grade:</b> 12	T	
<b>Name:</b>	<b>Section:</b>	<b>Roll No:</b>
<b>General Instructions:</b>		
<ul style="list-style-type: none"> <li><b>This question paper consists of 4 printed pages.</b></li> <li><b>All answers to be written in the answer sheet provided.</b></li> </ul>		
<b>Section A: Microeconomics</b>		
28.	'Ans: False. Machine purchased by firm for own use if final good but if it purchased for resale, it is Intermediate good	1
29.	<b>Ans: d</b>	1
30.	<b>Ans: Exports are produced within the economic territory and therefore a part of domestic product</b>	1
31.		1

	<i>Ans: b</i>	
32.	<i>Ans: Depends on NFIA – if NFIA is positive, then NI&gt;Domestic income, if NFIA=0, then Domestic income = national income, and if NFIA is negative, then NI&lt;Domestic income</i>	1
33.	<i>Ans: c</i>	1
34.	<i>Margin requirement is the difference between the value of the asset and value of loan given. Increasing the margin requirement reduces the amount of loans that the commercial banks are able to give to public, and vice versa - ½ mark definition of margin reqt, ½ mark on explanation</i>	1
35.	<i>Ans: Its shows the aggregate supply in the economy/ Value of goods and services available in the economy. AS=C+S.</i>	1
36.	<i>Ans: b)</i>	1
37.	e)  <i>Ans: a</i>	1
38.	<i>Ans: False, as incremental consumption can never exceed incremental income</i>	1
39.	<i>Answer: d</i>	1
40.	 <i>Ans: Involuntary unemployment refers to a situation in which people are ready to work at prevailing wage rate, but do not find work</i>	1
41.	<i>Ans: Rs 4900 (1/2 mark formula, ½ mark answer)</i> <i>Or</i> <i>PD=FD-interest payments. Means that the govt's current expenditure = current receipts and that the borrowing of govt is only on account of debt servicing. (1/2 mark formula, ½ mark implication)</i>	1
42.	<i>Ans: Revenue receipt. Since it does not increase liab or reduce assets</i>	1
43.	<i>Ans: Balanced budget implies receipts = expenditure. It is not good for India as in India, we need more development expenditure to spur economic growth</i>	1
44.	<i>Ans: Counting the value of commodities at every stage of production more than one time is called double counting. (1M)</i> <i>It can be avoided by a) taking value added method in the calculation of the national income. (1M) and b) By taking the value of final commodity only while calculating N.I (Final Output Method) (1M)</i>	3
45.	<i>Equilibrium is achieved when AD = AS, when planned spending &lt; planned output,</i>  <i>Means consumers and firms buy less output than the firms are willing to produce.</i>  <i>Changes: planned inventory would rise, firms would reduce employment, output will decrease.</i>	3



Till eqm is reached at E

**OR**



In the diagram  $\bar{C} + bY$  is the consumption curve.

The  $45^\circ$  line is the aggregate supply curve.

At point E, consumption = income i.e. ( $Y = \bar{C}$ )

$\bar{C}$  represents the autonomous consumption i.e. consumption at zero level of income.

**Steps for derivation of supply curve from consumption curve as follows.**

(i) Corresponding to  $\bar{C}$  in the consumption function we have  $-\bar{C}$  in the saving function. That is, there are negative savings equal to autonomous consumption at  $Y = 0$ . This is represented by S on the negative axis in the lower panel.

(ii) At point E ( $Y = \bar{C}$ ). This implies that all the income is spent on consumption expenditure. Thus, savings equal to zero. This is shown as  $S = 0$  in lower panel. This point is also known as the Break-even point.

(iii) Beyond the break-even point, by connecting points S and Y we derive the straight upward sloping saving curve.

(iv) SS is the required saving curve.

(1 mark diag, 1 mark explanation, 1 mark APC)

46.

**Ans:**

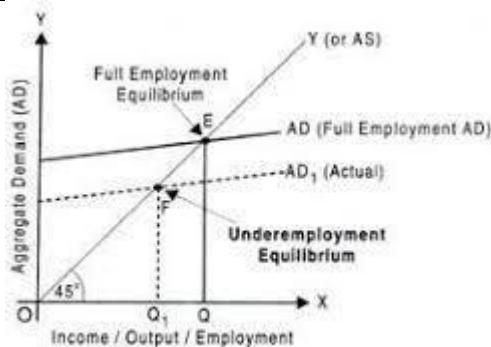
VA by A =  $i_{ii} + v_{vii} = 200$ ; VA by B =  $(i_{iv} + v_{vi} - v_{vii}) - (x_{i_{ii}} + x_{ii}) = 260$ ; NVAfc =  $200 + 260 - x_{ix} = Rs\ 265\ crore$

**OR**

- Included. Its income of the dealer for his productive services to various parties.
- Not included because the loan has been taken for consumption purpose. No production of goods and services has taken place
- Not included. Its considered as FITA since its earned by non residents in Indian economic territory
- Included as FIFA

4

47.	<p><b>Ans:</b> Money creation is a process in which a commercial bank creates total deposits many times the initial deposits.</p> <p><b>Assumption:</b> Banking system is one unit and there are no cash transactions</p> <p>The capacity of commercial bank to create depends on two factors:</p> <ol style="list-style-type: none"> <li>1. Amount of initial fresh deposit</li> <li>2. Legal reserve ratio LRR Money multiplier = <math>1 / \text{LRR}</math></li> </ol> <p><b>Money Creation Formula:</b> Money Creation = Initial Deposit <math>\times</math> Money Multiplier</p> <p><b>The Working:</b> Suppose (i) Initial Deposit = Rs. 1000 (ii) LRR = 20% As required, the bank keeps 20% ie Rs. 200 as cash reserve and lend the remaining Rs. 800. Those who borrow use the money for making payments. As assumed those who receive these payments put the money back into their bank accounts. This creates a fresh deposit of Rs. 800. The bank again keep 20% ie Rs. 160 and lend Rs. 640. In this way the money goes on multiplying leading to total money creation of Rs. 5000.</p> <p><b>Money creation = Initial Deposit <math>\times</math> 1 LRR</b></p> <p>(Definition+assumptions-1 mark, table – 1 mark, explanation 1 mark, formula + money created-1 mark)</p>	4
48.	<p><b>Ans:</b></p> <p><b>Bank of issue :</b> sole issuing authority, non-monetary liab of govt becomes monetary liab of RBI, central govt authorized to borrow money from RBI by monetizing its debt (2M)</p> <p><b>Bankers bank:</b> Custodian of CRR, clearing house function, lender of last resort( 2 marks)</p>	4
49.	<p>a) At Equilibrium <math>Y=C+I</math>. Eqm <math>Y=15000\text{cr}</math>; Consumption at eqm=Rs 14000cr</p> <p>b) <math>K=(\Delta Y)/(\Delta I)=4</math> MPS=0.25 MPS=(<math>\Delta S</math>)/(<math>\Delta Y</math>)=0.25; MPC = 0.75</p> $\Delta S=(0.25)(\Delta Y)=(0.25)(1000)=250$ <p>(2 marks for part a and b)</p>	4
50.	$= \frac{1}{1 - b[\text{MPC}]} = \frac{1}{1 - 0.5} = 2$ <p>On the assumption that MPC for the community as a whole is 0.5, the initial investment of ₹ 100 crore would generate an additional income of ₹ 200 crore. The size of investment multiplier here is 2.</p> <p><b>Fig. 10.2. Multiplier Explained with the Aid of Savings-Investment Diagram</b></p>	4
51.	<p><b>Income method:</b> <math>(i+ii+iii+v+vi+vii+xi)+(xiv-xiii)-xv = \text{Rs } 1670\text{cr}</math></p> <p><b>Expenditure method:</b> <math>xiv+(xvi-xvii)+xviii+xix+xx+xxii-xv-xxi=1670</math></p>	6
52.	<p><b>Ans:</b></p> <p><b>Underemployment equilibrium</b> is a situation where the AD of a certain level of output of an economy is less than the AD required at full employment level leading to deflationary gap which pushes the economy to a lower level of equilibrium. (Defn – 1 mark)</p> <p><b>Diagram :</b> (1 mark)</p>	6



**Fig. 8.4**

*Explanation of diagram – 2 marks*

*2 monetary measures (1/2 mark definition of the monetary measure + 1/2 mark on explanation of how it will correct def gap) – 2 marks*

**OR**

*Ans: Yes – this happens in case of inflationary gap + Definition :– Inflationary gap exists when, at full employment income level, aggregate demand exceeds aggregate supply.(1 mark)*

*Diagram- 1 mark*

*Explanation -2 mark*

*Any 2 fiscal measure (note taxes and subsidies is to be treated as one measure) – 2 marks*

53.	<p><i>Ans.</i></p> <p>a). <i>Reallocation of resources:- In case, the market economy fails or does not achieve the desired social objectives, the government has to interfere through budget and reallocate resources accordingly. Through its budgetary policy, the government of a country directs the allocation of resources in a manner such that there is a balance between the goals of profit maximization and social welfare. Production of goods which are injurious to health is discouraged through heavy taxation. On the other hand, production of 'socially useful goods' is encouraged through subsidies.</i></p> <p>b). <i>FD = KE – Capital receipts except borrowings. It measures the borrowing requirement of the govt. Implications: wasteful expenditure, inflationary, etc (1M meaning, 2 marks for 2 implications)</i></p>	6
	<b>INDIAN ECONOMICS</b>	
54.	<p>In the history of demographic transition, which year is regarded as the year of great divide and why?</p> <p><b>OR</b></p> <p>Why did India not benefit from the surplus trade balance it had under the British rule?</p> <p><i>Ans: 1921 – because after 1921, India's population consistently rose</i></p> <p><i>OR. Because trade surplus was used for meeting admin expenses/ financing war and not for India's development</i></p>	1
55.	<p>_____ was developed by the British Raj as a means to enlarge the size of market for the</p>	1

	<p>British goods</p> <ul style="list-style-type: none"> <li>e. Post and telegraph</li> <li>f. Iron and steel</li> <li>g. Railways</li> <li>h. IT</li> </ul> <p><b>Ans: a</b></p>	
56.	<p>Largest share of work force which was 72% was engaged in</p> <ul style="list-style-type: none"> <li>e. Secondary sector</li> <li>f. Tertiary sector</li> <li>g. Primary sector</li> <li>h. None of these</li> </ul> <p><b>Ans: c</b></p>	1
57.	<p>Distinguish between equitable distribution and equal distribution in the context of planning objectives</p> <p><i>Equitable distribution – just distribution, in accordance with skill and capability Equal distribution – everyone gets same income, irrespective of skill and capacity</i></p>	1
58.	<p>India had occupied a place of eminence in the area of foreign trade since ancient times. But the British rule in India ended this eminence. Explain the state of foreign trade to justify your answer</p> <p><i>Ans: Net exporter of primary products and net importer of finished goods; Monopoly control over trade; Surplus of Balance of trade (1+1+1)</i></p>	3
59.	<p>Does modernization as a planning objective create contradiction in the light of employment generation? Explain</p> <p><b>OR</b></p> <p>Discuss Modernization as a long term objective of Planning</p> <p><i>Ans: Modernisation as a planning objective means use of advanced technology. Advanced technology requires less labour per unit of output. Thus modernization does create unemployment initially, but if modernization is able to bring increase in output an national income, it would create opportunities of employment and will not be a contradiction in the light of employment generation.</i></p> <p><b>OR</b></p> <p><i>Modernisation implies improvement of technology; increase in productivity due to green revolution; also modernization of mindset and beliefs (1+1+1 – each point to be elaborated on)</i></p>	3
60.	<p>Discuss the achievements of India's with respect to the goals of planning</p> <p><b>OR</b></p>	4

	<p>Discuss the features of Economic Policy between 1951-1991</p> <p><i>Ans: Achievement : increase in NI, increase in PCI, growth and diversification of industry, social infrastructure, etc- any 4</i></p> <p><b>OR</b></p> <p><i>Heavy reliance on public sector, regulated devt of pvt sector, protection of SSI, thrust on saving and investment, etc- any 4. (1 mark each)</i></p> <p><b>No marks without explanation</b></p>	
61.	<p>How did the British rule deindustrialize the Industrial sector in India. Explain.</p> <p><b>OR</b></p> <p>Write a short note on:</p> <ul style="list-style-type: none"> <li>c) Land revenue system under the British</li> <li>d) State of agricultural sector on the eve of Independence</li> </ul> <p><i>Ans: Decay of handicrafts – (i) Discriminatory tariff policy (ii) Disappearance of princely courtrs(iii) competition from machine made products (iv) New patterns of demand (v) Introduction of Railways [ 5 marks each]</i></p> <p><i>Bleak growth of modern industry (1 mark)</i></p> <p><i>OR a) triangular relationship among govt, owner and tiller of soil. Zamindars were recognized as owners of soil. They paid a fixed amount of revenue to govt, They were free to collect any amount rent from cultivators. Despite using agricultural land as a source of income, neither the colonial government nor the zamindars made any attempt to improve the condition of the land. They did not pay attention to developing the agricultural sector, hence; it remained underdeveloped during the colonial government.</i></p> <p><i>b) low productivity, high vulnerability of agriculture due to dependence on rainfall, small and fragmented holding, etc – any 3</i></p>	6

<b>FIRST TERM EXAMINATION (2019 – 2020) SET 2</b>		
<b>Subject: Economics</b>	<b>Max.</b>	
<b>Grade: XII</b>	<b>Time: 3 hrs</b>	
<b>Name:</b>	<b>Section:</b>	<b>Roll No:</b>
<b>General Instructions:</b>		
<ul style="list-style-type: none"> <li>➤ This question paper is divided into two sections.</li> <li>➤ Section A is the Macroeconomics portion and contains 26 questions.</li> <li>➤ Section B is the Indian Economics portion, and contains 8 questions.</li> <li>➤ Marks for questions are indicated against each.</li> <li>➤ This question paper consists of 4 printed pages.</li> <li>➤ All questions are compulsory. There is an internal choice in 1 mark, 3 mark, 4 mark and 6 mark questions in Macroeconomics and Indian Economics sections each</li> </ul>		
	<b>SECTION – A (Macroeconomics)</b>	<b>6 0</b>
1	If nominal GDP is Rs. 840 crores, GDP deflator is 140% then what is real GDP?	1
2	A better measure of economic growth (or economic wellbeing) is <ol style="list-style-type: none"> <li>Increase in GDP at current prices</li> <li>Increase in GNP at current prices</li> <li>Increase in GDP at constant price</li> <li>Increase in per capita GDP at current prices</li> </ol>	1
3	Which is the least liquid measure of money supply?	1
4	If investment is zero the national income does not become zero because <ol style="list-style-type: none"> <li>Induced investment</li> <li>Autonomous consumption</li> <li>Autonomous investment</li> <li>multiplier</li> </ol>	1
5	When MPC and MPS are equal, the value of MPC is: <ol style="list-style-type: none"> <li>0.6</li> <li>0.4</li> <li>0.5</li> <li>1</li> </ol>	1
6	What determines the level of household consumption in an economy?	1
7	Direct Tax is called direct because it is collected directly from: <ol style="list-style-type: none"> <li>The producers on goods produced.</li> <li>The sellers on goods sold.</li> <li>The buyers of goods.</li> <li>The income earners.</li> </ol>	1
8	How does “purchase of a truck to carry goods by a production unit” treated in estimating national income? Give reason.	1
9	“Profit is a stock concept”. State True or false, justify.	1
10	Define GNP mp.	1

11	When the cash reserve ratio is 5% then the credit multiplier will be a) 20 b) 0.2 c) 0.5 d) 4	1																														
12	What items that are included in M1 measure of money supply?	1																														
13	Which of the following is NOT TRUE a) Value of APC is always greater than zero b) Value of APS can be zero c) Value of APC can never be greater than one d) Value of APS can be positive	1																														
14	Is the given statement True. Justify. "The value of MPS can never be negative."	1																														
15	A government budget shows a primary deficit of Rs. 10,600 crores. The revenue expenditure on interest payment is Rs. 600 crores, then the fiscal deficit a) Rs. 10000 crores b) Rs. 11200 crores c) Rs. 10600 crores d) zero	1																														
16	Is Funds raised from public in the form of National Saving Certificates a revenue receipt or a capital receipt? Give reason.  (Or) Disinvestment is a revenue receipt or a capital receipt? Give reason.	1																														
17	Calculate Value added by Firm A and Firm B from the following data:  <table border="1"> <thead> <tr> <th>S.No</th> <th>Items</th> <th>Amount (Rs in cr)</th> </tr> </thead> <tbody> <tr> <td>i.</td> <td>Purchase by Firm A from rest of the world</td> <td>40</td> </tr> <tr> <td>ii.</td> <td>Sales by Firm B</td> <td>150</td> </tr> <tr> <td>iii.</td> <td>Purchase by Firm A from Firm B</td> <td>70</td> </tr> <tr> <td>iv.</td> <td>Sales by Firm A</td> <td>160</td> </tr> <tr> <td>v.</td> <td>Exports by Firm A</td> <td>40</td> </tr> <tr> <td>vi.</td> <td>Opening stock of Firm A</td> <td>45</td> </tr> <tr> <td>vii.</td> <td>Closing stock of Firm A</td> <td>20</td> </tr> <tr> <td>viii.</td> <td>Opening Stock of Firm B</td> <td>40</td> </tr> <tr> <td>ix.</td> <td>Closing stock of Firm B</td> <td>30</td> </tr> </tbody> </table>	S.No	Items	Amount (Rs in cr)	i.	Purchase by Firm A from rest of the world	40	ii.	Sales by Firm B	150	iii.	Purchase by Firm A from Firm B	70	iv.	Sales by Firm A	160	v.	Exports by Firm A	40	vi.	Opening stock of Firm A	45	vii.	Closing stock of Firm A	20	viii.	Opening Stock of Firm B	40	ix.	Closing stock of Firm B	30	3
S.No	Items	Amount (Rs in cr)																														
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viii.	Opening Stock of Firm B	40																														
ix.	Closing stock of Firm B	30																														

	x.	Purchases by Firm B from Firm A	60																																									
18	In an economy, the consumption function is $C = 400 + 0.75 Y$ , where C is consumption expenditure and Y is national income and investment expenditure is 2000. Calculate a. Equilibrium level of national income. b. Break-even level of Income. c. Consumption expenditure.	<b>OR</b> Find consumption and saving when autonomous consumption is 100, marginal propensity to consume is 0.5 and Income is 2,000. Is there greater increase in income as compared to consumption when income changes to 2,500?	3																																									
19	What is meant by intermediate consumption? Explain.	<b>OR</b> Distinguish between Gross Value of output and Gross Value Added at market prices using examples.	4																																									
20	Explain the function of “currency authority” of a central bank.																																											
21	“Commercial banks create credit”. Illustrate using a hypothetical numerical example.		4																																									
22	Derive Saving function from Consumption function. Show on the diagram where APC=1.		4																																									
23	Explain the relationship between multiplier and marginal propensity to consume.		4																																									
24	From the following data, calculate (a) Gross Domestic Product at Market Price    (b) Subsidies.	<table border="1"> <thead> <tr> <th>S.No</th> <th>Particulars</th> <th>Amount in crores</th> </tr> </thead> <tbody> <tr> <td>i</td> <td>Government Final Consumption Expenditure</td> <td>7,000</td> </tr> <tr> <td>ii</td> <td>Indirect Taxes</td> <td>9,000</td> </tr> <tr> <td>iii</td> <td>NNP at fc</td> <td>61,700</td> </tr> <tr> <td>iv</td> <td>Mixed Income of self-employed</td> <td>28,000</td> </tr> <tr> <td>v</td> <td>Gross Fixed Capital Formation</td> <td>13,000</td> </tr> <tr> <td>vi</td> <td>Net Addition to stocks</td> <td>10,000</td> </tr> <tr> <td>vii</td> <td>Compensation of Employees</td> <td>24,000</td> </tr> <tr> <td>viii</td> <td>Depreciation</td> <td>4,000</td> </tr> <tr> <td>ix</td> <td>Private Final Consumption Expenditure</td> <td>44,000</td> </tr> <tr> <td>x</td> <td>Exports of goods and services</td> <td>4,800</td> </tr> <tr> <td>xi</td> <td>Imports of goods and services</td> <td>5,600</td> </tr> <tr> <td>xii</td> <td>NFIA</td> <td>(-)300</td> </tr> </tbody> </table>	S.No	Particulars	Amount in crores	i	Government Final Consumption Expenditure	7,000	ii	Indirect Taxes	9,000	iii	NNP at fc	61,700	iv	Mixed Income of self-employed	28,000	v	Gross Fixed Capital Formation	13,000	vi	Net Addition to stocks	10,000	vii	Compensation of Employees	24,000	viii	Depreciation	4,000	ix	Private Final Consumption Expenditure	44,000	x	Exports of goods and services	4,800	xi	Imports of goods and services	5,600	xii	NFIA	(-)300	6		
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25	Explain all the changes that will occur when the planned spending is not equal to planned output.	<b>OR</b>	6																																									

	Can an economy be in a state of underemployment equilibrium? Explain with the help of a diagram.	
26	a. The government can use budgetary policy in reallocation of resources. Explain how? b. What is meant by “Revenue Deficit” in a Government budget? What problems can it create?	3 + 3 = 6
	<b>SECTION – B (Indian Economic Development)</b>	2 0
27	During British period, Indian Economy was: a) Semi-feudal Economy b) Disintegrated Economy c) Colonial Economy d) All the above	1
28	Natural rate of unemployment is consistent with the situation of: a) Full employment b) Underemployment c) Over employment d) Structural unemployment	1
29	Why is the year 1921 was considered as the year of Great Divide? <b>OR</b> What was the life expectancy ratio during the British rule?	1
30	Which is the current five year plan of India?	1
31	What were the main causes of India’s agricultural stagnation during the colonial period? <b>OR</b> Systematic de-industrialization is the term that describes the status of industrial sector during the British rule. Elucidate the state of Indian industries on the eve of independence.	3
32	Planning in India has witnessed a marked shift in the economic policy of the government in the year 1991. Describe the features of economic policy between the period 1951 – 1991.	3
33	Planning Commission in India focuses on long period goals. Explain modernization as a long period goal. <b>OR</b> Does modernization as a planning objective create contradiction in the light of employment generation? Explain.	4
34	Highlight the salient features of India’s pre-independence Occupational Structure and Infrastructure. <b>OR</b> Critically evaluate the impact of Railways in India.	6

**FIRST TERM EXAMINATION (2019 – 2020) SET 2**  
**Answer Key**

<b>Subject:</b> Economics		<b>Max.</b>
<b>Grade:</b> XII		<b>Time: 3 hrs.</b>
<b>SECTION – A (Macroeconomics)</b>		60 M
1	<b>Rs. 600 crores</b>	1
2	a. Increase in GDP at constant prices	1
3	M4	1
4	b) autonomous consumption	1
5	<b>e. 0.5</b>	1
6	MPC	1
7	<b>e. The income earners.</b>	
8	How does “purchase of a truck to carry goods by a production unit” treated in estimating national income? Included, as it a part of investment expenditure.	1
9	Profit is a flow as it is calculate over a period of time.	1
10	It refers to market value of final goods and services produced by residents of a country during an accounting year including NFIA	1
11	a. 20	1
12	Currency with the public; DDs with the banks; other deposits with RBI.	
13	c) APC can never be greater than one	
14	Is the given statement True. Justify. “The value of MPS can never be negative.” True, because incremental consumption and incremental saving can never be greater than incremental income. MPC can never be greater than 1 and so MPS can never be negative.	1
15	b) Rs. 11,200 cr.	1
16	Is Funds raised from public in the form of National Saving Certificates a revenue receipt or a capital receipt? Give reason. Capital receipt as it creates liability for the govt. (Or) Disinvestment is a revenue receipt or a capital receipt? Give reason. Capital receipt as it results in reduction of the asset.	1
17	Ans: Value added by A = Rs 35 crores Value added by B = Rs. 80 crores	3
18	In an economy, the consumption function is $C = 400 + 0.75 Y$ , where C is consumption expenditure and Y is national income and investment expenditure is 2000. Calculate a. Equilibrium level of national income -- 9600 b. Break-even level of Income -- 1600	3

	<p>c. Consumption expenditure – 7600          (Or)</p> <p>Find consumption and saving when autonomous consumption is 100, marginal propensity to consume is 0.5 and Income is 2,000. Is there greater increase in income as compared to consumption when income changes to 2,500?</p> <p><math>Y = 2000; C = c+b(Y); C = 100+0.5 \times 2000 = 1100. Y=C+S; S = Y-C; 2000-1100 = 900.</math></p> <p>When <math>Y=2500; C=100+0.5 \times 2500 = 1350.</math></p> <p>Change in <math>C = 1350 - 1100 = 250;</math> change in <math>Y = 2500 - 2000 = 500.</math></p> <p>Yes, the increase in income is greater than increase in consumption.</p>	
19	<p>Intermediate consumption refers to expenditure made on purchase of intermediate goods. / secondary factor inputs or non factor inputs.</p> <p>Intermediate goods are those goods that are used in the process further production or for resale purposes.</p> <p>These are not included in the national income as it will lead to double counting.</p> <p>Eg . Purchase of raw materials by a firm</p> <p>OR</p> <p>GVO – total market value of all goods and services produced by a firm in an accounting year.</p> <p>It includes Sales+change in stock and goods for self consumtion</p> <p>VA refers to excess of VO over intermediate consumption</p> <p><math>VA = VO-IC</math></p> <p>Intermediate consumption refers to expenditure on purchase of intermediate goods Give any example using a table.</p> <p>.</p>	4
20	<p>Currency authority:</p> <p>It is the primary and most important functions of central bank. Sole authority of issue of currency notes except for one rupee notes which are issued by Ministry of Finance.</p> <p>The currency issued is against Minimum Reserve System. As it is the monetary liability and as the central bank is obliged to back the currency with assets such as gold , foreign securities and govt ocal currency securities.</p> <p>It monetizes the public debt . Putting money and withdrawing money from circulation is also the function as issuing authority</p> <p>It maintains uniformity, elasticity and safety.</p>	4
21	<p>Commercial bank create credit with the deposits.</p> <p>Let's assume that all banks are (i) one single banking unit (ii) all transactions are banking transactions</p> <p>The credit creation depends upon</p> <p>a)initial deposits (b) LRR</p> <p><math>0.5+0.5</math></p> <p>Give any suitable table format example (2 marks)</p> <p>For explanation 1 mark</p>	4
22	<p>Derive Saving function from Consumption function algebraically. w</p> <p><math>Y=C+S; S=Y-C; S=Y-[c+b(Y)]; S= Y-c-b(Y); S= -c+Y-b(Y); S= -c+(1-b)Y</math></p>	4
23	<p>Explicate the relationship between multiplier and marginal propensity to consume.</p> <p><math>K = 1 / 1 - mpc;</math> both are directly related; when MPC = 0, k is 1 and mpc = 1, k is infinity</p>	4

24	<p>From the following data, calculate (a) Gross Domestic Product at Market Price; (b) Subsidies.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">S.No</th><th style="text-align: left;">Particulars</th><th style="text-align: right;">Amount in crores</th></tr> </thead> <tbody> <tr><td>i</td><td>Government Final Consumption Expenditure</td><td style="text-align: right;">7,000</td></tr> <tr><td>ii</td><td>Indirect Taxes</td><td style="text-align: right;">9,000</td></tr> <tr><td>iii</td><td>NNP at fc</td><td style="text-align: right;">61,700</td></tr> <tr><td>iv</td><td>Mixed Income of self-employed</td><td style="text-align: right;">28,000</td></tr> <tr><td>v</td><td>Gross Fixed Capital Formation</td><td style="text-align: right;">13,000</td></tr> <tr><td>vi</td><td>Net Addition to stocks</td><td style="text-align: right;">10,000</td></tr> <tr><td>vii</td><td>Compensation of Employees</td><td style="text-align: right;">24,000</td></tr> <tr><td>viii</td><td>Depreciation</td><td style="text-align: right;">4,000</td></tr> <tr><td>ix</td><td>Private Final Consumption Expenditure</td><td style="text-align: right;">44,000</td></tr> <tr><td>x</td><td>Exports of goods and services</td><td style="text-align: right;">4,800</td></tr> <tr><td>xi</td><td>Imports of goods and services</td><td style="text-align: right;">5,600</td></tr> <tr><td>xii</td><td>NFIA</td><td style="text-align: right;">(-)300</td></tr> </tbody> </table> <p>Soln: GDP mp = (i) + (ix) + [v+vi] + [x - xi] = 7000+44000+[13000+10000]+[4800-5600]  =74000-800=73,200.  Subsidies: GDPmp = NNPfc + Dep – NFIA + NIT  73200=61700+4000-(-300)+(9000 – subsidies)  Sub=1,800cr</p>	S.No	Particulars	Amount in crores	i	Government Final Consumption Expenditure	7,000	ii	Indirect Taxes	9,000	iii	NNP at fc	61,700	iv	Mixed Income of self-employed	28,000	v	Gross Fixed Capital Formation	13,000	vi	Net Addition to stocks	10,000	vii	Compensation of Employees	24,000	viii	Depreciation	4,000	ix	Private Final Consumption Expenditure	44,000	x	Exports of goods and services	4,800	xi	Imports of goods and services	5,600	xii	NFIA	(-)300	6
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25	<p>How does disequilibrium between Aggregate Demand and Aggregate Supply affect the economy? Explain the adjustment mechanism using diagrams.  AD &gt; AS; abnormal profits, inflation; producers expand prod'n; increase in output and income.  AD &lt; AS; unsold stocks, recession; producers reduce prod'n; decrease in output and income.  (2 marks each for impact, diagrams and adjustment mechanism.)</p> <p style="text-align: center;">(Or)</p> <p>What do you mean by Deficient Demand? Explain the consequences of underemployment equilibrium using a diagram.  Deficient Demand def; underemployment eq; deflationary gap; undesired stocks; loss of profits.  (1 mark each for definition, diagram, 4 marks for consequences)</p>	6																																							
26	<p>Budgetary policy – tax and subsidies.  Impose on socially harmful goods  Give subsidies on socially useful goods</p> <p>b. What do you understand by “Revenue Deficit” in a Government budget? What are its implications?  Excess of revenue expenditure over revenue receipts. May have to cut down its expenditure; raise funds through borrowings; disinvestment.</p>	3+3=6																																							
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28	Natural rate of unemployment is consistent with the situation of: <b>a.</b> <b>b.</b> t <b>c.</b> <b>d.</b> unemployment	<b>Full employment</b> Underemployment  Over employment Structural	1
29	How can you say that the year 1921 was the year of Great Divide with regard to the growth of population in India? Before 1921, population growth was not consistent, but after it recorded a consistent rise.  (Or) What was the life expectancy ratio during the British rule? 32 years		1
30	Which is the current five year plan of India? There is no current five year plan. 12 <sup>th</sup> plan ended on March 31 <sup>st</sup> 2017. Govt. transformed Planning Commission into Niti Aayog which is a 7 year strategy with shorter sub plans.		1
31	What were the main causes of India's agricultural stagnation during the colonial period? Land revenue system; lacking resources; commercialization of agriculture, etc.  (Or) Systematic de-industrialization is the term that describes the status of industrial sector during the British rule. Elucidate the state of Indian industries on the eve of independence. Discriminatory tariff policy; disappearance of princely courts; competition from machine-made products; introduction of railways; etc(any 3)		3
32	Heavy reliance on public sector; regulated devt of pvt. Sector; protection of SSI and regulation of LSI; devt. Of heavy industry of strategic significance, o,[prt substitution, protection from foreign competition. (any other relevant point)		3
33	Modernisation as a planning objective means use of advanced technology. Advanced technology requires less labour per unit of output. Thus modernization does create unemployment initially, but if modernization is able to bring increase in output an national income, it would create opportunities of employment and will not be a contradiction in the light of employment generation. <b>OR</b> Modernisation implies improvement of technology; increase in productivity due to green revolution; also modernization of mindset and beliefs (1+1+1 – each point to be elaborated on)		4
34	Highlight the salient features of India's pre-independence Occupational Structure and Infrastructure. Pre-dominance of agriculture; lack of opportunities in industry; unbalanced growth (any other relevant point) Railways, ports, post and telegraph and roads were developed.  (Or)		6

	Critically evaluate the impact of Railways in India. +ve impact: Expansion of domestic market; facilitated commercialization of agriculture, control spread of famines, etc -ve impact: contributed to colonial exploitation; spread of domestic market for the British producers; shrinkage of high cost Indian products which lead to their decay.	
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<b>PRE-BOARD EXAMINATION (2019-2020) SET 1</b>		
<b>Subject: Economics</b>	<b>Max. T</b>	
<b>Grade: 12</b>		
<b>Name:</b>	<b>Section:</b>	<b>Roll No:</b>
<b>General Instructions:</b>		
<ul style="list-style-type: none"> <li><i>This question paper consists of 4 printed pages.</i></li> <li><i>All answers to be written in the answer sheet provided.</i></li> </ul>		
<b>SECTION A: MACRO ECONOMICS</b>		
62.	When net leakages are positive in an economy, the national income will a. Increase b. Decrease c. Remain same d. May increase or decrease, depending upon monetary and fiscal policy	1
63.	Define SLR. How will increase in SLR affect banks' ability to create credit? <b>OR</b> Define Repo Rate. How will an increase in Repo rate affect banks' ability to create credit?	1
64.	Which of these is not a quantitative measure of credit control? a. Open market operations b. Variable reserve ratio c. Repo rate d. Moral Suasion	1
65.	"At very low levels of income, MPS is negative". True or False? Give reason	1
66.	Define Effective Demand?	1
67.	When ex-ante savings are greater than ex-ante investment: a. National income will rise b. National income will fall c. Investment will fall d. Investment will rise	1
68.	Borrowing is a a. Capital receipt because it creates assets b. Capital expenditure because it creates asset c. Capital receipt because it creates liability	1

	d. Current receipt because it creates liability							
69.	In the government budget, if primary deficit is ₹ 9,000 and interest payment is ₹ 1,500 what is the fiscal deficit?	1						
70.	What are accommodating transactions in the Balance of Payment?	1						
71.	Give the differences between devaluation and depreciation of domestic currency?	1						
72.	Give 3 precautions while calculating national income by the income method	3						
73.	The World Bank has stated that “private investments in India is expected to grow by 8.8 per cent in FY 2018-19 and thereby drive the growth in India's gross domestic product (GDP) in FY 2018-19.” Explain the economic concept behind this statement with the help of a numerical example of your own <b>OR</b> The ratio of Marginal propensity to consume and marginal propensity is 4:1. Autonomous consumption is Rs 500 crores and autonomous investment is Rs 100 crores. Find Equilibrium level of income and breakeven level of income. If the investment by 150 crores, find the impact on GDP.	3						
74.	Do you consider the commercial banks “creators of money” in the economy? Justify your answer with the help of an example	4						
75.	How can the government influence reallocation of resources and redistribution of income through its government budget?	4						
76.	<u>Answer both (a) &amp; (b)</u> <ul style="list-style-type: none"> <li>a. Does a surplus in the current account imply that there will also be a surplus in the overall Balance of Payment account? Justify</li> <li>b. “The value of the US Dollar has increased considerably.” Explain the impact on imports.</li> </ul> <b>OR</b> <u>Answer both (i) &amp; (ii)</u> <ul style="list-style-type: none"> <li>i. “India’s exports of tractors to Bangladesh was USD 432 million in 2017-18, recording a 19% increase over the previous year.” Where will this transaction be recorded in the Balance of Payment account?</li> <li>ii. Explain the impact of the above transaction on the exchange rate?</li> </ul>	4						
77.	<u>A). Answer all both parts below:</u> <ul style="list-style-type: none"> <li>a. Calculate value of Sales from the following data:</li> </ul> <table border="1"> <thead> <tr> <th>S.No</th> <th>Particulars</th> <th>Amount (in ₹ Cr)</th> </tr> </thead> <tbody> <tr> <td>i.</td> <td>Net value added at factor cost</td> <td>100</td> </tr> </tbody> </table>	S.No	Particulars	Amount (in ₹ Cr)	i.	Net value added at factor cost	100	6
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	<p>b. How will the following be treated while calculating national income. Give reasons</p> <ul style="list-style-type: none"> <li>i. Uniform purchased by hospital for its nurses</li> <li>ii. Salary paid to staff working in Indian embassy in Japan</li> <li>iii. Profits earned by State Bank of India from its branch in UAE</li> <li>iv. Interest on public debt</li> </ul>																																					
	<b>OR</b>																																					
	<p><i>B: Answer both parts below</i></p> <p>a. India is the fifth largest economy by nominal GDP. It also has 18 of the 20 most polluted cities in the world, due to which doctors are witnessing high incidence of pollution-related diseases. Will GDP therefore be a good indicator for measuring welfare and why? Can you suggest an alternative measure for calculating GNP?</p> <p>b. Calculate compensation of employees from the following data</p> <table border="1"> <thead> <tr> <th>S. No</th> <th>Particulars</th> <th>Amount (in ₹ Cr)</th> </tr> </thead> <tbody> <tr><td>i.</td><td>Net fixed capital formation</td><td>50</td></tr> <tr><td>ii.</td><td>GDPmp</td><td>265</td></tr> <tr><td>iii.</td><td>Wages and salaries</td><td>200</td></tr> <tr><td>iv.</td><td>Rent</td><td>30</td></tr> <tr><td>v.</td><td>Net factor income to abroad</td><td>10</td></tr> <tr><td>vi.</td><td>Gross domestic capital formation</td><td>100</td></tr> <tr><td>vii.</td><td>Profit</td><td>50</td></tr> <tr><td>viii.</td><td>Net increase in stock</td><td>(-10)</td></tr> <tr><td>ix.</td><td>Dividend</td><td>10</td></tr> <tr><td>x.</td><td>Interest</td><td>30</td></tr> <tr><td>xi.</td><td>Net indirect taxes</td><td>25</td></tr> </tbody> </table>	S. No	Particulars	Amount (in ₹ Cr)	i.	Net fixed capital formation	50	ii.	GDPmp	265	iii.	Wages and salaries	200	iv.	Rent	30	v.	Net factor income to abroad	10	vi.	Gross domestic capital formation	100	vii.	Profit	50	viii.	Net increase in stock	(-10)	ix.	Dividend	10	x.	Interest	30	xi.	Net indirect taxes	25	
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78.	Differentiate between inflationary and deflationary gap. Give diagrams. Can deflationary gap exist at equilibrium level? Explain	6																																				
	<b>SECTION B: INDIAN ECONOMIC DEVELOPMENT</b>																																					
79.	<p>The first official census was conducted in the year</p> <ul style="list-style-type: none"> <li>a. 1891</li> <li>b. 1781</li> <li>c. 1921</li> <li>d. 1881</li> </ul>	1																																				

80.	What is the difference between Tariffs and Quotas?	1
81.	When was the Planning Commission set up? a. 1850 b. 1949 c. 1950 d. 1956	1
82.	What is the classification of industry under Industrial Policy Resolution (IPR) 1956	1
83.	Task Force on Projections of Minimum Needs and Effective Consumption Demand was formed in a. 1978 b. 1979 c. 1981 d. 1984	1
84.	State the 2 aspects of diversification of productive activities in rural areas? <b>OR</b> What is Operation Flood?	1
85.	India recognized the importance of Human Capital Formation in the _____ Five Year Plan a. Third b. Fifth c. Sixth d. Seventh	1
86.	How much educational cess was imposed by the government on all Union Taxes?	1
87.	Unemployed people is calculated as a. Labour force – work force b. Labour force + work force c. Work force – labour force d. Work force + labour force	1
88.	Name two NGOs working in the area of health care.	1
89.	Analyse the trends in rural-urban poverty.	3
90.	Differentiate between Human Capital and Human Development <b>OR</b> What are the main problems of human capital formation in India?	3
91.	While subsidies encourage ‘farmers to use new technology, they are a huge burden on	4

	government finances. Discuss the usefulness of subsidies in the light of this fact.	
92.	Agriculture sector appears to be adversely affected by the reform process. Why? <b>OR</b> Why has the industrial sector performed poorly in the reform period?	4
93.	“Economic reforms of 1990-91, though leading to a fundamental shift in thinking in economic planning, did not deliver results in the light of social justice and welfare.” Justify this statement.	4
94.	<b>Answer Parts “a” and “b”</b> a) Explain the role of Self-Help Groups credit delivery in rural areas? b) What is agricultural marketing? Elucidate on any 2 measures adopted by the government to improve agricultural marketing.	6
95.	<b>Answer Parts “a” and “b”</b> a) Compared to urban women, more rural women are found working. Why? b) Why is it that there is widespread unemployment in India, despite 72 years of Independence? Give reasons. <b>OR</b> <b>Answer Part (i) and (ii)</b> i) What are the deficiencies of the health infrastructure? ii) What are the challenges being faced by the power sector in India?	6

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### PRE-BOARD EXAMINATION (2019-2020) SET 1 ANSWER KEY

<b>Subject: Economics</b>	<b>Max.</b>	
<b>Grade: 12</b>	T	
<b>Name:</b>	<b>Section:</b>	<b>Roll No:</b>
<b>General Instructions:</b>		
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<b>SECTION A: MACRO ECONOMICS</b>		
96.	Decrease	1
97.	SLR is the min % of net demand and time liabilities which commercial banks maintain with themselves in the form of liquid assets, such as excess resources, govt and approved securities or current account balances with other banks. Increase in SLR reduces ability to create credit	1

	OR Repo rate the rate at which RBI lends money to commercial banks to meet their short term needs, against approved securities or eligible bills of exchange. Increase in repo rate reduces banks' ability to create credit.	
98.	Ans: d	1
99.	Ans: False. MPC + MPS=1. MPS can never be negative as MPC can never exceed 1 as incremental consumption can never exceed incremental income	1
100.	Ans: It's the point of equilibrium, where AD=AS	1
101.	Ans: b	1
102.	Ans: c	1
103.	Ans: PD=RD-Interest = ₹ 10,500 (1/2 mark formula, ½ mark ans)	1
104.	Ans: They are transactions to bring about balance in the overall BOP. They are also called below the line transactions	1
105.	Devaluation: is when value of domestic currency falls wrt foreign currency. This is under fixed exchange rate system, and it carried out by the government  Depreciation: is when value of domestic currency falls wrt foreign currency. This is under flexible exchange rate system, and it determined by free play of market forces of demand and supply of dollars	1
106.	Transfer income not included as there is no productive activity associated with them, income from sale of shares not to be included as they are financial assets. Windfall gains not included as there is no productive activity associated with them or any other valid answer related to <u>income method only</u> . 1 mark each	3
107.	This concept is based on investment multiplier	3

1. It can be illustrated with the help of a simple example. We know that one man's expenditure is another man's income.
2. Suppose, the government of a country spends Rs 100 crore on building roads. National income of the country automatically rises by Rs 100 crore in Round 1.
3. Now suppose MPC is 0.5, people working in the investment industry will spend Rs 50 crore on new consumption goods.
4. The consumer goods industry will have an extra income of Rs 50 crore. Assume the MPC for the whole society is 0.5, people working in these consumer goods industry would again spend 50% of their additional income of Rs 50 crore (which works out to be 25 crore) on more consumer goods.
5. These Rs 25 crore will, thus, become the income for others. This will continue till total increase in income becomes k times the increment of investment.
6. The process of income generation has been shown in the following table:

Round Number	Increase in Investment ( $\Delta I$ )	Increase in Income ( $\Delta Y$ )	Increase in Consumption ( $\Delta C$ )
1	100	$100 = \Delta I$	$50 (100 \times 0.5)$
2		$50 = b \Delta I$	$25 (50 \times 0.5)$
3		$25 = b^2 \Delta I$	$12.5 (25 \times 0.5)$
4		$12.5 = b^3 \Delta I$	$6.25 (12.5 \times 0.5)$
5		$6.25 = b^4 \Delta I$	$3.125 (6.25 \times 0.5)$
6		$3.125 = b^5 \Delta I$	$1.56 (3.125 \times 0.5)$
7		$1.56 = b^6 \Delta I$	$0.78 (1.56 \times 0.5)$
—	—	—	—
—	—	—	—
—	—	—	—
Total increase in Income = 200 crore			

$$= \frac{1}{1 - b[\text{MPC}]} = \frac{1}{1 - 0.5} = 2$$

On the assumption that MPC for the community as a whole is 0.5, the initial investment of ₹ 100 crore would generate an additional income of ₹ 200 crore. The size of investment multiplier here is 2.

0.5 mark definition; 1.5 mark table+ explanation; 1 mark formula + answer

**OR**

MPC = 0.8; MPS=0.2;  $Y=500+0.8Y+100$ ; Equilibrium income = Rs 3000 cr; Breakeven level of income is when  $Y=C$ ; Breakeven level of income = 2500 crores.  
Change in income =  $150/0.2=\text{Rs } 750 \text{ cr}$  (1 mark each answer)

108.	<p>Ans: Money creation is a process in which a commercial bank creates total deposits many times the initial deposits.</p> <p>Assumption: Banking system is one unit and there are no cash transactions</p> <p>The capacity of commercial bank to create depends on two factors:</p> <ol style="list-style-type: none"> <li>1. Amount of initial fresh deposit</li> <li>2. Legal reserve ratio LRR Money multiplier = 1 LRR Money Creation = Initial Deposit <math>\times</math> Money multiplier</li> </ol> <p>The Working: Suppose (i) Initial Deposit = Rs. 1000 (ii) LRR = 20% As required, the bank</p>	4
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	<p>keeps 20% ie Rs. 200 as cash reserve and lend the remaining Rs. 800. Those who borrow use the money for making payments. As assumed those who receive these payments put the money back into their bank accounts. This creates a fresh deposit of Rs. 800. The bank again keep 20% ie Rs. 160 and lend Rs. 640. In this way the money goes on multiplying leading to total money creation of Rs. 5000.</p> <p>Money creation = Initial Deposit <math>\times</math> 1 LRR          (Definition+assumptions-1 mark, table – 1 mark, explanation 1 mark, formula + money created-1 mark)</p>	
109.	<p>ReAllocation of resources – balance between objective of profit maximization and public welfare through taxes and subsidies. Tax socially harmful goods like cigarettes and subside socially useful goods like khadi. Government expenditure on parks and hospitals</p> <p>Redistribution of income – objective is to reduce income inequality – through taxing rich and redistributing it to poor; This will reduce income of rich and raise std of living of poor thus reducing income inequality between rich and poor.</p>	4
110.	<p>This implies Indian rupee has depreciated. If rupee depreciates from \$1=Rs50 to \$1=Rs75 it means that imports have got more expensive in domestic market and so imports fall.</p> <p>No. There could be a deficit in the capital account that offsets current account surplus (1+3) )</p> <p><b>OR</b></p> <p>i) It will recorded in the current account because its export of goods. Its recorded on the credit side because its led to an inflow of dollars</p> <p>ii) Inflow of \$ implies supply will increase. It means rupee will appreciate from R1 to R2. Give Diag (1+3)</p>	4
111.	<p>a. Sales = i-vi+ii+iv-vii = 100-10+50+10-5=145 ( 1mark formula + 1 mark ans)</p> <p>b. i. Not included. Is IC</p> <p>ii. Not included. Is FITA</p> <p>iii) Included as FIFA</p> <p>iv) Not included as its not productive ( 1 mark each. No marks if reasoning not given)</p> <p><b>OR</b></p> <p>a) Even though GDP is high, high pollution is causing low welfare, due to presence of high negative externalities (bad effect of economic activity). Green GNP will be a good measure of welfare as it adjusts GNP for the degradation of environment and depletion of natural resources (1+1 mark)</p> <p>COE = ii-[vi-(i+viii)]-(iv+x+vii)-xi = 265-[100-(50-10)]- (30+30+50)-25 = 70 crores (1.5 mark formula + 1.5 mark for values + 1 mark answer)</p>	6

112.	<p>Ans: 4 differences on the basis of definition, causes, impact, measures to correct , (1mark each          Diagram – 1 mark</p> <p>Answer:</p> <table border="1" data-bbox="262 375 894 931"> <thead> <tr> <th>Inflationary Gap</th><th>Basis</th><th>Deflationary Gap</th></tr> </thead> <tbody> <tr> <td>When in an economy aggregate demand exceeds "aggregate supply at full employment level", the demand is said to be an excess demand and the gap is called inflationary gap.</td><td><b>Meaning</b></td><td>When in an economy, aggregate demand falls short of aggregate supply at full employment level, the demand is said to be a deficient demand and the gap is called deflationary gap.</td></tr> <tr> <td>(i) Increase in household consumption demand due to rise in propensity to consume. (ii) Increase in private investment demand because of rise in credit facilities. (iii) Increase in public (government) expenditure. (iv) Increase in export demand. (v) Increase in money supply or increase in disposable income.</td><td><b>Reasons</b></td><td>(i) Decrease in household consumption demand due to fall in propensity to consume. (ii) Decrease in private investment demand because of fall in credit facilities. (iii) Decrease in public (Government) expenditure. (iv) Decrease in export demand. (v) Decrease in money supply or decrease in disposable income.</td></tr> <tr> <td>(i) <b>Effect on General Price Level</b> Excess demand gives a rise to general price level. (ii) <b>Effect on Output</b> Excess demand has no effect on the level of output because economy is at full employment level. (iii) <b>Effect on Employment</b> There will be no change in the level of employment also. The economy is operating at full employment equilibrium already and hence there is no unemployment.</td><td><b>Impact</b></td><td>(i) <b>Effect on General Price Level</b> Deficient demand causes the general price level to fall. (ii) <b>Effect on Employment</b> Due to deficient demand, investment level is reduced, which causes involuntary unemployment in the economy due to fall in planned output. (iii) <b>Effect on Output</b> Low level of investment. An employment implies low level of output.</td></tr> </tbody> </table> <p>Can def gap exist at eqm level of income? - Depends on which level of employment of resources is eqm achieved at . Equilibrium just depicts that level of income where <math>AD=AS</math>. This equality can be at full emp, less than or at more than full employment levels. However, if eqm is at less than full employment levels, then def gap exists at eqm (1marks)</p>	Inflationary Gap	Basis	Deflationary Gap	When in an economy aggregate demand exceeds "aggregate supply at full employment level", the demand is said to be an excess demand and the gap is called inflationary gap.	<b>Meaning</b>	When in an economy, aggregate demand falls short of aggregate supply at full employment level, the demand is said to be a deficient demand and the gap is called deflationary gap.	(i) Increase in household consumption demand due to rise in propensity to consume. (ii) Increase in private investment demand because of rise in credit facilities. (iii) Increase in public (government) expenditure. (iv) Increase in export demand. (v) Increase in money supply or increase in disposable income.	<b>Reasons</b>	(i) Decrease in household consumption demand due to fall in propensity to consume. (ii) Decrease in private investment demand because of fall in credit facilities. (iii) Decrease in public (Government) expenditure. (iv) Decrease in export demand. (v) Decrease in money supply or decrease in disposable income.	(i) <b>Effect on General Price Level</b> Excess demand gives a rise to general price level. (ii) <b>Effect on Output</b> Excess demand has no effect on the level of output because economy is at full employment level. (iii) <b>Effect on Employment</b> There will be no change in the level of employment also. The economy is operating at full employment equilibrium already and hence there is no unemployment.	<b>Impact</b>	(i) <b>Effect on General Price Level</b> Deficient demand causes the general price level to fall. (ii) <b>Effect on Employment</b> Due to deficient demand, investment level is reduced, which causes involuntary unemployment in the economy due to fall in planned output. (iii) <b>Effect on Output</b> Low level of investment. An employment implies low level of output.	6
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SECTION B: INDIAN ECONOMIC DEVELOPMENT		
113.	Ans: d	1
114.	Ans: Tariff are a tax on imported goods- they make imported goods more expensive nd discourage their use Quotas specify the quantity of goods that can be imported. Both tariffs and quotas restrict imports	1
115.	Ans: c	1
116.	Ans: Schedule A – only public sector; Schedule B public + pvt industries; Schedule C – remaining industry with pvt sector	1
117.	Ans: b	1
118.	Change in cropping pattern and shift of workforce from agriculture to other allied and non-allied agricultural sector <b>OR</b> From 1966 onwards Operation Flood Is a system whereby all the farmers can pool their milk produce according to different grading (based on quality) and the same is processed and marketed to urban centres through co-operatives	1
119.	d. Seventh	1

120.	2%	1								
121.	Ans: a	1								
122.	Ans. SEWA in Ahmedabad and ACCORD in Nilgiris.	1								
123.	<p>a. In 1973-74, more than 80 per cent of the poor resided in rural areas and this situation has not changed even in 2011-12. This means that more than three-fourth of the poor in India still reside in villages. (The number of people living below poverty line was estimated at 238.5 million — 170.3 million in rural areas and 68.2 million in urban areas — out of the over one billion population. )</p> <p>b. In the 1990s, the absolute number of poor in rural areas had declined whereas the number of their urban counterparts increased marginally.</p> <p>c. The decline in poverty was comparatively much steep in rural areas where the percentage of people living below poverty line fell to about 25.7% in 2011-12 from 21.8 per cent (2004-05) and 56.4 in 1973-74. In urban areas, percentage of people living below poverty line fell from 49% to 21.7 per cent (2004-05) to 13.7 per cent (2011-12).</p> <p>d. The poverty ratio declined continuously for both urban and rural areas. The ratio is declining much slower than the absolute number of poor in the country. Also the gap between the absolute number of poor in rural and urban areas got reduced whereas in the case of ratio the gap has remained the same</p> <p>e. This was because as people migrate from rural to urban areas, the poverty in rural areas seem to dip substantially, though the decline is more gradual in urban areas</p>	3								
124.	<table border="1"> <thead> <tr> <th><i><b>Human Capital</b></i></th> <th><i><b>Human Development</b></i></th> </tr> </thead> <tbody> <tr> <td>1. Human capital considers education and health as a means to increase labour productivity.</td> <td>Human development considers education and health as an integral part of human well being.</td> </tr> <tr> <td>2. Human capital treats human being as a means to achieve an end which is higher productivity.</td> <td>It considers human beings as ends in themselves.</td> </tr> <tr> <td>3. It considers that investment in health &amp; education should increase labour productivity in the country.</td> <td>It considers that good education and health are a fundamental right of every citizen.</td> </tr> </tbody> </table>	<i><b>Human Capital</b></i>	<i><b>Human Development</b></i>	1. Human capital considers education and health as a means to increase labour productivity.	Human development considers education and health as an integral part of human well being.	2. Human capital treats human being as a means to achieve an end which is higher productivity.	It considers human beings as ends in themselves.	3. It considers that investment in health & education should increase labour productivity in the country.	It considers that good education and health are a fundamental right of every citizen.	3
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**OR**

Main problems of human capital formation in India are:

- (i) Rising Population: Rapidly rising population adversely affects the quality of human capital formation in developing countries. It reduces per capita availability of existing facilities. A large population requires huge investment in education and health.
- (ii) Long Term Process: The process of human development is a long term policy because skill formation takes time. The process which produces skilled manpower is thus slow.
- High Regional and Gender Inequality: Regional and gender inequality lowers the human development levels.
- (iv) Brain Drain: Migration of highly skilled labour termed as ‘Brain Drain’ adversely affects the economic development.

	<p>(v) Insufficient on-the-job-training in agriculture: Agriculture sector is neglected where the workers are not given on-the-job-training to absorb emerging new technologies.</p> <p>(vi) High Poverty Levels: A large proportion of the population lives below poverty line and do not have access to basic health and educational facilities. A large section of society cannot afford to get higher education or expensive medical treatment for major disease. (any 3)</p>	
125.	<p>Ans. Subsidy is an economic benefit, direct or indirect, granted by a government to domestic producers of goods or services, often to strengthen their competitive position against foreign companies.</p> <p>Arguments in favour of subsidies</p> <p>(i) It was necessary to use subsidies to provide an incentive for adoption of the new HYV technology by farmers in general and small farmers in particular. Subsidies were, needed to encourage farmers to test the new technology.</p> <p>(ii) Eliminating subsidies will increase the inequality between rich and poor farmers and violate the goal of equity.</p> <p>Arguments against the subsidies</p> <p>(i) Subsidies are meant to benefit the farmers but a substantial amount of fertiliser subsidy also benefits the fertiliser industry and among farmers, the subsidy largely benefits the farmers in the more prosperous regions. Therefore some believe that most farmers afford the required inputs without subsidies.</p> <p>(ii) Many a times fertiliser subsidies do not benefit the target group and are a huge burden on the government's finances.</p> <p>(iii) Experts argue that subsidies are largely benefiting the fertiliser industry and big farmers. The correct policy is not to abolish but to ensure that only poor farmers enjoy the benefits.</p>	4
126.	<p>Ans: (i) More Emphasis to Industries: Due to LPG, focus shifted from agriculture to industry.</p> <p>(ii) Fall in Public Investment: Public investment in agriculture sector especially in infrastructure which includes irrigation, power, roads, market linkages and research was reduced in the reform period.</p> <p>(iii) Removal of Fertiliser Subsidy: Subsidies in agriculture were reduced which led to increase in cost of production. Farmers, therefore, found it difficult to compete in global markets.</p> <p>(iv) Policy Changes: Reduction in import duties on agricultural products, removal of minimum support price and lifting of quantitative restrictions on agricultural products have adversely affected Indian farmers as they now have to face increased international competition.</p> <p>(v) Export-oriented Production: There has been a shift from production for the domestic market towards production for the export market focusing on cash crops in lieu of production of food grains. This puts pressure on prices of food grains.</p> <p>OR</p> <p>The post-reform period shows that industrial growth has slowed down. This was due to:</p>	4

	<ul style="list-style-type: none"> <li>(i) Lack of Infrastructure: There was inadequate investment in infrastructural facilities such as power supply.</li> <li>(ii) Decrease in demand of domestic products: Globalisation led to decrease in demand for domestic industrial products due to cheaper imports. In a globalised world, developing countries are compelled to open up their economies to greater flow of goods and capital from developed countries and rendering their industries vulnerable to imported goods.</li> <li>(iii) Hampering growth of local industries: Globalisation is, thus, often seen as creating conditions for the free movement of goods and services from foreign countries that adversely affect the local industries and employment opportunities in developing countries.</li> <li>(iv) Inaccessibility of foreign markets: A developing country like India still does not have the access to developed countries' markets because of high non-tariff barriers. For example, although all quota restrictions on exports of textiles and clothing have been removed in India, USA has not removed their quota restriction on import of textiles from India and China.</li> </ul> <p>(4 points, one mark each)</p>	
127.	<p>Ans: Economic reforms have been criticised on the following grounds:</p> <ul style="list-style-type: none"> <li>(a) Privatisation encourages growth of monopoly power in the hands of big business houses. It results in greater inequalities of income and wealth.</li> <li>(b) Globalisation has devastated local producers since they are unable to compete with cheap imports.</li> <li>(c) Economic reforms have led to mounting workers unrest. Workers have protested against low wages, poor working conditions, autocratic management rule, long work days and fall in social benefits.</li> <li>(d) Small business class is adversely affected by fall of public subsidies, de-industrialisation and floods of cheap imports.</li> <li>(e) Due to reduction in taxes, government receipts became inadequate to meet welfare expenditures. (any 4, one mark each)</li> </ul>	4
128.	<p>Answer</p> <p>a) SHGs and Micro Credit Programmes</p> <ul style="list-style-type: none"> <li>(i) SHGs have emerged to fill the gap in the formal credit system because the formal credit delivery mechanism has not only proven inadequate but has also not been fully integrated into the overall rural social and community development.</li> <li>(ii) Since some kind of collateral is required, vast proportion of poor rural households were automatically out of the credit network. The SHGs promote thrift in small proportions by a minimum contribution from each member.</li> <li>(iii) From the pooled money, credit is given to the needy members to be repayable in small instalments at reasonable interest rates.</li> <li>(iv) By March end 2003, more than seven lakh SHGs had reportedly been credit linked. Such credit provisions are generally referred to as micro-credit programmes.</li> <li>(v) SHGs have helped in the empowerment of women. (any 3 subpoints, 1 mark each)</li> </ul> <p>b) Agricultural marketing is a process that involves the assembling, storage, processing,</p>	6

	<p>transportation, packaging, grading and distribution of different agricultural commodities across the country. ( 1 mark)</p> <p>i) Regulated Markets: Regulated markets have been established where sale and purchase of the produce is monitored by the Market Committees which comprised of the representatives of government, farmers and the traders. Regulated markets Fixation of charges, fees, etc. Enforce of standard weights. Settle disputes among the operating parties in the market, etc</p> <p>(ii) Provision of Infrastructural Facilities: The government has taken measures to develop infrastructural facilities like roads, railways, warehouses, godowns, cold storages and processing units.</p> <p>i) Co-operative Market: Co-operative marketing is a measure to ensure a fair price to farmers. Member farmers sell their surplus to the co-operative society which substitutes collective bargaining in place of individual bargaining. It links rural credit, farming, marketing processes to the best advantage of the farmers.</p> <p>ii) Instruments to Safeguard the Interests of Farmers - MSP/ Buffer stock &amp; PDS (any 2, one mark each)</p>	
129.	<p>Ans. Female workers give preference to self-employment than to hired employment. Because</p> <p>(i) Owing to family and social constraints, mobility of women workers in search of jobs is less compared to that of men workers. They prefer to work at their place of residence even for a low wage.</p> <p>ii) Women in rural areas find ample opportunities of self-employment, engaging themselves in traditional jobs like spinning, weaving, dyeing and bleaching.</p> <p>b) slow rate of economic growth; population explosion; undeveloped agriculture; slow growth of industry; decline of cottage and SSI, etc (any 3 valid points with explanation)</p> <p>OR</p> <p>i) Emerging Challenges in the Health:</p> <p>(a) High GBD ; (b) Poor State of Primary Health Centres (c) Regional Bias — Urban-Rural Divide (d) Income Bias — Poor-Rich Divide; (e) Gender Bias — Poor Health of Women (any 3)</p> <p>ii) Emerging Challenges in the Power Sector: (any 3) (a) Insufficient Installed Capacity ; (b) Underutilisation of Capacity ; (c) Losses Incurred by SEBs ; (d) Uncertain Role of Private Players</p>	6

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<b>PREBOARD EXAMINATION I (2019-20) SET 2</b>						
<b>Subject: Economics</b>	<b>Max. Marks: 80</b>					
<b>Grade: XII</b>	<b>Time: 3hrs</b>					
<b>Name:</b>	<b>Section:</b>	<b>Roll No:</b>				
<b><u>General Instructions:</u></b>						
<ul style="list-style-type: none"> <li>• This question paper consists of ? printed pages.</li> <li>• All answers to be written in the answer sheet provided.</li> </ul>						
<b>Macroeconomics- Section A</b>		<b>Total</b>				
<b>Marks 40</b>						
<b>I.</b>	<b>Multiple Choice Questions:</b>					
<b>5.</b>	Which of the following is not included in the inventory investment?					
	<b>a.</b>	Stock of finished goods	<b>b</b>	Stock of semi- finished goods		
	<b>c.</b>	Consumer goods sold to the house hold during the accounting year	<b>d</b>	Stock of raw materials		
<b>2.</b>	Primary deposits are :					
	<b>a.</b>	Cash deposits with the commercial banks	<b>b</b>	Gold reserves with the commercial banks		
	<b>c.</b>	Term deposits with the commercial banks	<b>d</b>	Liquid assets with the commercial banks		
<b>3.</b>	Investment which changes as the level of income changes in the economy is called:					
	<b>a.</b>	Autonomous investment	<b>b</b>	Induced investment		
	<b>c.</b>	Independent investment	<b>d</b>	Both A & C		
<b>4.</b>	By increasing the tax burden on the producers, the government intends to					
	<b>a.</b>	Correct the situation of deficient demand	<b>b</b>	Correct the situation of deflationary gap		
	<b>c.</b>	Correct the situation of excess demand	<b>d</b>	Correct the situation of deficient supply		
<b>5.</b>	Expenditure on salaries by the government is an example of:					
	<b>a.</b>	Plan expenditure	<b>b</b>	Non-plan expenditure		
	<b>c.</b>	Revenue expenditure	<b>d</b>	Both B&C		
<b>6</b>	If reserve requirement is 25% of deposits, calculate credit multiplier.					
<b>7.</b>	Capital expenditure reduces capital stock of the government. True or False.					
<b>OR</b>						
..... (Choose the correct alternative) is a revenue receipt of the						

	government. a) Funds raised by the government by issuing National Saving Certificates b) Sale of 40% shares of a public sector undertaking to a private enterprise c) Profits of LIC, a public enterprise d) Amount borrowed from Japan for construction of Bullet Train.																
8	Define a managed floating system of foreign exchange.	1															
9	How are NRI deposits significant for India?	1															
10	Where will the sale of machinery abroad will be recorded in the Balance of payments account? Give reason.	1															
11	What changes will take place to bring an economy in equilibrium if a) planned savings are greater than planned investment b) planned savings are less than planned investment.	3															
12	Why are exports included in the estimation of domestic product by the expenditure method?  Can gross domestic product be greater than gross national product? Explain	3															
	<b>OR</b>  Explain three precautions which are to be taken while estimating while estimating National Income according to the expenditure method.																
13	What is government budget? Elaborate the objective of 'reallocation of resources' in the government budget.	4															
14	How the following tools can be used for credit control by the central bank in an economy: a) Open Market Operations b) Margin Requirements	4															
15	'Many large Multinational Corporations (MNCs) have recently shifted their investments from China and have started their production in India, thereby boosting the Make in India plans of the Government'. Presuming other factors being constant, illustrate the effects of the given statement on Foreign Exchange rates with reference to the Indian Economy.	4															
	<b>OR</b>  'Devaluation and Depreciation of currency is one and the same thing'. Do you agree? How do they affect the exports of a country?																
16	(a) Calculate compensation of employees from the following data:  <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>S.no</th> <th>Particulars</th> <th>Amount (in ₹crores)</th> </tr> </thead> <tbody> <tr> <td>I</td> <td>Profits after tax</td> <td>20</td> </tr> <tr> <td>ii</td> <td>Interest</td> <td>45</td> </tr> <tr> <td>iii.</td> <td>Gross Domestic Product at Market Price</td> <td>200</td> </tr> <tr> <td>iv</td> <td>Goods and Services Tax</td> <td>10</td> </tr> </tbody> </table>	S.no	Particulars	Amount (in ₹crores)	I	Profits after tax	20	ii	Interest	45	iii.	Gross Domestic Product at Market Price	200	iv	Goods and Services Tax	10	6
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ii	Interest	45															
iii.	Gross Domestic Product at Market Price	200															
iv	Goods and Services Tax	10															

	v	Consumption of Fixed Capital	50					
	vi	Rent	25					
	vii	Corporate Tax	5					
(b) How will you treat the following which estimating <b>National Income</b> of India?								
Give reason.								
I. Unemployment allowance under NREGA II. Man of the match award to a player of the Indian cricket team III. Direct purchases of government in a foreign country.								
17	'An economy is operating at under-employment level of income'. What is meant by the given statement? Discuss one fiscal measure and one monetary measure to tackle the situation							
<b>OR</b>								
a) In an economy the equilibrium level of income is Rs 12,000 crore. The ratio of marginal propensity to consume and marginal propensity to save is 3: 1 Calculate the additional investment needed to reach a new equilibrium level of income of Rs 20,000 crore. b) State whether the following statements are true or false. Give valid reasons for your answers. (i) The value of marginal propensity to save can never be negative. (ii) Sum of average propensity to consume and marginal propensity to consume is always equal to 1.								
<b>Section B-Indian Economics Total Marks 40</b>								
18	Agriculture marketing does not comprise of							
	(a) Transportation of the produce to the market place for sale.		b	Grading of the produce according to the quality				
	(c) Storage of the produce for sale in future.		d	Credit taken to meet expenditure on agriculture.				
19	Golden revolution is related to.							
	(a) Floriculture		b	Pisciculture				
	( c) Horticulture		d	Sericulture				
20	Female literacy rate in India is:							
	(a) 75%		b	85%				
	(c) 70%		d	66%				
21	The responsibility of direction and control of higher education is with:							
	(a) Government of India		b	University Grants Commission				
	( c) Department of higher education		d	None of these				
22	Health infrastructures include							

	(a) Pharmaceutical industry	b	Beds	
	(c) Hospitals	d	Doctors	
23	Arvind is from a poor family and he wish to get financial help from the government to set up a petty shop. Under which scheme will he apply for assistance			1
	(a) Prime Minister's Rozgar Yojana	b	National rural livelihood mission	
	( c ) Swarna Jayanti Shahari Rozgar Yojana	d	None	
24	-----is a situation when the economy is able to produce more goods and services without increase in employment opportunities.			1
	<b>OR</b>			
	Differentiate between labour force and Work force.			
25	What was the main objective behind abolition of intermediaries?			1
26	Who is the chairman of the planning commission in India?			1
27	What is direction of trade?			1
28	'Poverty Alleviation Programmes initiated by the government were highly acclaimed.' Defend or Refute.			3
	<b>OR</b>			
	Why did "Growth oriented Approach" of the government proved to be ineffective?			
29	'In spite of the increase in public health expenditure Indian Health System is an ailing system in itself'. Defend the statement citing any three major problems of Health sector in India.			3
30	'The railways affected the structure of the Indian economy positively, as well as negatively.' Discuss			4
	<b>OR</b>			
	Were there any positive contributions made by the British in India? Discuss			
31	Why has the industrial sector performed poorly in the reform period?			4
32	Discuss economic reforms in India in the light of social justice and welfare			4
33	Explain the steps taken by the government in developing rural markets.			6
	<b>OR</b>			
	Explain the role of non-farm employment in promoting rural diversification.			
34	Discuss the reforms which have been initiated recently to meet the energy crisis in India.			6

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<b>PREBOARD EXAMINATION I (2019-20) SET 2</b> <b>ANSWER KEY</b>					
<b>Subject: Economics</b>		<b>Max. Marks: 80</b>			
<b>Grade: XII</b>		<b>Time: 3hrs</b>			
<b>Name:</b>		<b>Section:</b>	<b>Roll No:</b>		
<b><u>General Instructions:</u></b> <ul style="list-style-type: none"> <li>• This question paper consists of ? printed pages.</li> <li>• All answers to be written in the answer sheet provided.</li> </ul>					
Macro- Section A		Total Marks 40			
<b>II.</b>	<b>Multiple Choice Questions:</b>				
	1m ark				
<b>6.</b>	Which of the following is not included in the inventory investment?				
	<b>a</b> Stock of finished goods .	<b>b</b> Stock of semi-finished goods .			
	<b>c</b> Consumer goods sold to the house hold during the accounting year .	<b>d</b> Stock of raw materials .			
<b>2.</b>	Primary deposits are :				
	<b>a</b> Cash deposits with the commercial banks .	<b>b</b> Gold reserves with the commercial banks .			
	<b>c</b> Term deposits with the commercial banks .	<b>d</b> Liquid assets with the commercial banks .			
<b>3.</b>	Investment which changes as the level of income changes in the economy is called:				
	<b>a</b> Autonomous investment .	<b>b</b> Induced investment .			
	<b>c</b> Independent investment .	<b>d</b> Both A & C .			
<b>4.</b>	By increasing the tax burden on the producers, the government intends to				
	<b>a</b> Correct the situation of deficient demand .	<b>b</b> Correct the situation of deflationary gap .			
	<b>c</b> Correct the situation of excess demand .	<b>d</b> Correct the situation of deficient supply .			
<b>5.</b>	Expenditure on salaries by the government is an example of:				
	<b>a</b> Plan expenditure .	<b>b</b> Non-plan expenditure .			

	<b>c</b> Revenue expenditure .	<b>d</b> Both B&C .	
6	Credit Multiplier = $1/RR$ , $1/25\% = 4$		1
7.	False, if incurred on the creation of assets, capital expenditure increases capital stock of the government.  OR c) Profits of LIC, a public enterprise		1
8	It is a hybrid of both fixed and flexible exchange rate systems. Central Bank can intervene to buy and sell foreign currencies to moderate exchange rate movements whenever they feel necessary.		1
9.	NRI deposits in India are reflected as capital receipts in the BOP accounts. This adds to the supply of foreign exchange for the Indian economy. This foreign exchange can be used to offset the current account deficit which usually remains high.		1
10.	Sale of machinery to abroad is accounted for underpay balance for a current account balance of payment. Sale and purchase of machinery are a part of the merchandise and all the Merchandise is recorded as a trade balance in the current account balance of payment.		1
11	Economy is in equilibrium when $S=I$ . Disequilibrium situation arises either when $S < I$ or when $S > I$ .  a) Planned savings are greater than planned investment: If $S > I$ overall expenditure in the economy would remain lower than what is required to buy the planned output. Some output would remain unsold, producers will have undesired stocks. To clear the stock producers will now plan lesser output in the next time period, this means lesser employment, income & savings in the economy. The process continues till $S=I$  b) Planned savings are less than planned investment: consequences ( 1.5 for each)		3
12	Expenditure method estimates expenditure on domestic product, i.e. expenditure on final goods and services produced within the economic territory of the country. It includes expenditure by residents and non-residents both. Exports, though purchased by nonresidents, are produced within the economic territory, and therefore, a part of domestic product.  Domestic product <b>can be greater</b> than national product if factor income paid to the rest of the world is greater than the factor income received from the rest of the world is i.e. when net-factor income received from abroad is negative  OR  While estimating the value of final expenditure following precautions should be taken:  (1)Expenditure on the second-hand goods should not be included because expenditure		3 2 1 1 2

	<p>of these goods has already been included when they were originally purchased.</p> <p>(2) Expenditure on shares debenture bonds and securities should not be included because they are paper titles.</p> <p>(3) Transfer payments by the government should not be included this payment includes government expenditure on pension, scholarship unemployment allowances and payment on account of the social security scheme.</p> <p>(4) Expenditure on final goods and services should only be included. Expenditure on raw material and intermediate goods should not be included. Should not be included</p>	
13	<p>(ii) Reallocation of resources - Government through its budgetary policies tries to reallocate resources to ensure fulfillment of various socio-economic objectives. The government may influence the allocation of resources through:</p> <p>(a) Taxation policy - Heavy taxes may be imposed on harmful products to discourage their production and subsidies may be provided on the production of socially useful products to encourage their production.</p> <p>b) Government may directly undertake production of certain goods and services in the areas where private sector may not be willing to participate in production activities.</p>	4 1 3
14	<p>(i) Open Market Operations (OMO) refers to the sale and purchase of government securities in the open market by the Central Bank (RBI). By selling such securities the Central Bank soaks liquidity from the economy and by purchasing the government securities, Central Bank releases liquidity. This is an important method of regulating the money supply (liquidity) in the market.</p> <p>(ii) The Margin Requirement of loan refers to the difference between the current value of the security offered and amount of loan granted. When margin requirement is lowered by the Central Bank, the borrowers are able to secure larger amount of funds from the banks which will increase the money supply in the economy. Conversely, a rise in the margin requirements will contract the supply of credit in the economy.</p>	4 2 2
15	<p><b>Investments by large multinational corporations (MNCs) in India will ensure greater inflow of foreign exchange, leading to an increase in the supply of foreign currency. This situation may result into excess supply of foreign currency in the economy at the prevailing foreign exchange rate. As a result, a new equilibrium rate of foreign exchange will be determined which will be lower than the prevailing foreign exchange rate, leading to appreciation of domestic currency.</b></p>	4 3 + 1

	<p>Fig. 5.6 : Equilibrium Exchange Rate</p> <p><b>OR</b></p> <p>Depreciation and Devaluation both imply a fall in external value of a currency. The term depreciation is used under the <b>floating exchange rate system</b> that is when the exchange rate system is determined by the combined market forces of demand and supply.</p> <p>A currency <b>loses or gains value because of fluctuations in demand and supply</b>.</p> <p>The term devaluation is used in a system of <b>fixed exchange rates</b>. In this system, the exchange value of a currency is decided by the <b>government</b>.</p> <p>Devaluation of currency is the <b>deliberate action of the government</b>.</p> <p>Depreciation and devaluation of a currency <b>normally encourages exports</b> from a country, as exports become cheaper for the foreign nationals and foreign currency can now buy more of domestic goods, i.e. the international competitiveness of the goods and services of such a nation gets better.</p>	2																								
16	<p>(a) Calculate compensation of employees from the following data:</p> <table border="1"> <thead> <tr> <th>S.no</th> <th>Particulars</th> <th>Amount (in ₹crores)</th> </tr> </thead> <tbody> <tr> <td>i</td> <td>Profits after tax</td> <td>20</td> </tr> <tr> <td>ii</td> <td>Interest</td> <td>45</td> </tr> <tr> <td>iii.</td> <td>Gross Domestic Product at Market Price</td> <td>200</td> </tr> <tr> <td>iv</td> <td>Goods and Services Tax</td> <td>10</td> </tr> <tr> <td>v</td> <td>Consumption of Fixed Capital</td> <td>50</td> </tr> <tr> <td>vi</td> <td>Rent</td> <td>25</td> </tr> <tr> <td>vii</td> <td>Corporate Tax</td> <td>5</td> </tr> </tbody> </table>	S.no	Particulars	Amount (in ₹crores)	i	Profits after tax	20	ii	Interest	45	iii.	Gross Domestic Product at Market Price	200	iv	Goods and Services Tax	10	v	Consumption of Fixed Capital	50	vi	Rent	25	vii	Corporate Tax	5	6
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	<p>Compensation of Employees = (iii) – (v) – (iv) – (vi+ ii+ i+ vii) <span style="float: right;">(1)</span></p> <p>= 200 – 50 -10 – (25+45+20+5) <span style="float: right;">(1.5)</span></p> <p>= ₹45 crores. <span style="float: right;">(1/2)</span></p>	3 1x 3																								

	<p>(b)</p> <p>i) Not be included. It is transfer payment received by those persons who are not employed</p> <p>ii) Not be included. It is a windfall gain and it does not add in the flow of goods and services.</p> <p>iii) Yes. It is government final consumption expenditure</p>	
17	<p>'An economy is said to be operating at under employment equilibrium level, if the planned aggregate expenditure falls short of available output in the economy, corresponding to the full employment level. It results into excess of output available over the anticipated aggregate demand at full employment level. To tackle such a situation the aggregate demand has to be increased up to the level that the stocks can be cleared. Following measures may be taken for the same:</p> <p>i) Decrease in taxes: The government under its fiscal policy may decrease the rate of taxes (both direct and indirect taxes). This will ensure greater purchasing power in the hands of general public. This will help to increase aggregate demand and remove the deflationary gap.</p> <p>ii) Increase in money supply: Central bank through its expansionary monetary policy can increase the money supply in the economy. Central bank can use tools like bank rate, cash reserve ratio, repo and reverse repo rates etc. to ensure greater money in the hands of general public which would in turn increase the aggregate demand in the economy and be helpful in reducing/removing the deflationary gap.</p> <p style="text-align: center;"><b>OR</b></p>	<p>6 2 2</p> <p>2 2</p>

	a) MPC = 0.75; MPS = 0.25 Change in Y = 8,000 Crores.  K= 1 / 1-MPC =1 / 1-0.75 =4  $\Delta Y = \Delta I \cdot K$  8,000= $\Delta I \times 4$  $\Delta I= 2,000$   b) i) True, since MPS = $\Delta S / \Delta Y$ , The individual may at the most spend the entire $\Delta Y$ so that $\Delta S = 0$ . So, MPS can at the most be zero ii) False, there can be no such relationship between APC and MPC. APC is the ratio of C and Y and MPC is the ratio of $\Delta C$ and $\Delta Y$ .	(1mark) ( 1mark)  ( 0.5)  ( 1.5)	
	(1for marks for each)		

<b>Section B-Indian Economics Total Marks 40</b>			
18	Agriculture marketing does not comprise of		1
	(a) Transportation of the produce to the market place for sale.	b	Grading of the produce according to the quality
	(c) Storage of the produce for sale in future.	d	<b>Credit taken to meet expenditure on agriculture.</b>
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20	Female literacy rate in India is:		
	(a) 75%	b	85%
	(c) 70%	d	<b>66%</b>
21	The responsibility of direction and control of higher education is with:		
	(a) Government of India	b	<b>University Grants Commission</b>
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22	Health infrastructures include		
	(a) <b>Pharmaceutical industry</b>	b	Beds

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23	Arvind is from a poor family and he wish to get financial help from the government to set up a petty shop. Under which scheme will he apply for assistance			
	(a) <b>Prime Minister's Rozgar Yojana</b>	b	National rural livelihood mission	
	( c) Swarna Jayanti Shahari Rozgar Yojana	d	None	
24	Jobless growth  <b>OR</b> Labour Force: all those who are employed, looking for employment and are available or work Work force: the number of people who are actually employed at a particular time.			1
25	The aim of abolition of Zamindari was to make direct link between government and real cultivators so that cultivators can get maximum profit.			1
26	Prime minister is the chairman of planning commission in India.			1
27	Direction of trade refers to the countries to which a country exports its goods and services and the countries from which it imports.			1
28	The given statement is refuted. Poverty Alleviation Programmes could not succeed due to:  I. <b>Lack of Resources:</b> Resources allocated to different programmes were far less than required keeping in mind the magnitude of poverty. II. <b>Lack of Proper implementation:</b> Due to corruption, lack of training, pressure from local leaders, and lack of awareness amongst the beneficiary group, these programmes were not properly implemented. III. <b>Lack of Active participation of Beneficiary Group:</b> Poor people did not actively participate in the implementation of these programmes. IV. <b>Lack of Infrastructure:</b> Infrastructure required for implementation of these programmes was lacking in the economy V. <b>Lack of political will:</b> poverty has been a hindrance in the development of India as a whole since Independence. There have been a lot of schemes aimed at poverty alleviation like provision of ration cards, food for work, MGNREGA, etc yet all of them have failed to get implemented due to lack of penetration of democracy at local levels, lack of political participation, lack of education.  ( any 3. 1x3=3) <b>OR</b>  Growth-oriented approach was based on the expectation that the effects of economic growth will spread over to the poor section of the society as well. This approach was the major focus of planning in the 1950s and early 1960s. It was expected that rapid industrialization and transformation of agriculture through green revolution will benefit backward regions as well. The benefits of economic growth has not trickled down to the poor because of the following reasons:		3	

	<p>I. Overall growth rate of industry and agriculture was quite low.</p> <p>II. Population growth made per capita income to rise at further low levels.</p> <p>I. The gap between the rich and the poor widened.</p> <p>V. There was lack of political willingness and inability to redistribute lands</p> <ul style="list-style-type: none"> <li>• The green revolution exacerbated the disparities regionally and between large and small farmers.</li> </ul> <p>VI. Although various initiatives were taken by the government to improve the growth rate and to reduce poverty however there is lack of basic amenities and educational facilities in many regions of India particularly those regions where people are poor.</p> <p>Therefore the benefits of growth did not trickle down to the weaker sections of the society (<b>1x3=3</b>)</p>	
29	<p>The health system in India has undoubtedly improved over the years but the pace of improvement has been unreasonably slow and truly we carry an unhealthy health system. Following may be the most important concerns ailing Indian health system:</p> <ul style="list-style-type: none"> <li>• Low Public Expenditure – In India the health expenditure as a percentage of GDP is abysmally low as compared to some of the major developing countries. It stood at around 4.7% of the total GDP in the year 2014-15.</li> <li>• Urban Rural Divide – People living in rural India do not have sufficient medical infrastructure. Nearly 70% of the population lives in rural areas which have only 20% of the total hospitals of the country.</li> <li>• Women and child health issues - More than 50 per cent of married women in the age group of 15–49 years have iron deficiency, which has contributed to maternal deaths. Infant Mortality Rate per 1,000 live births in India is 34. Malnutrition and inadequate supply of vaccines lead to the death of millions of children every year.</li> </ul>	<p>3 1x 3</p>
30	<p>The railways affected the structure of the Indian economy positively in the following ways</p> <p>I. It enabled people to undertake long distance travel and thereby break geographical and cultural barriers.</p> <p>II. Railways enabled the government to supply food grains speedily to famine affected areas.</p> <p>III. It fostered commercialization of Indian agriculture as agricultural produce could be sent to distant places. Farmers started viewing agriculture as a business rather than a way of subsistence.</p> <p>The railways affected the Indian economy negatively in the following ways:</p> <p>I. Commercialization of agriculture affected the self-sufficiency of the rural areas.</p> <p>II. It enabled the goods from British factories to be transported to various parts of the country, thereby expanding their market.</p> <p>III. It facilitated the transport of raw materials to the port cities and ensured their easy exportability</p>	<p>4 2 2</p>

**OR**

	<p>While we discuss all the negatives associated with the British rule in India, we often tend to forget many positives which came to India due to colonial rule. The biggest contribution by the British was the construction of the railways. Railways connected almost the whole country which facilitated inland trade and cross cultural exchange. The British also introduced postal and telegraph services which helped in communication and thus supported business activities. The British also made fundamental changes in the laws of the land which further helped in enhancing the business environment in India.</p>	
31	<p>Similar to the agricultural sector, industrial sector's performance was also poor. The poor performance of industrial sector may be attributable to the following reasons:</p> <p><b>1. Cheaper Imports:</b> The demand for industrial output reduced due to the cheaper imports. The imports from the developed countries were cheaper due to the removal of import tariffs. These cheaper and quality foreign imports led to the fall in the demand of domestic goods.</p> <p><b>2. Lack of Investment:</b> Due to the lack of investment in infrastructure facilities (including power supply) the domestic firms could not compete with their developed foreign counterparts in terms of cost of production and quality of goods. The inadequate infrastructural investment pushed up the cost of production of the domestic producers and, consequently, led to the non-feasibility of their growth prospectus.</p> <p><b>3. High Non-tariffs Barriers by the Developed Countries :</b> It was very difficult to access the developed countries market due to high non-tariff barriers maintained by the developed countries. For instance, US did not remove quota restrictions on imports of textiles from India and China.</p> <p><b>4. Vulnerable and Infant Domestic Industries:</b> During the pre-liberalised period, the domestic industries were provided a protective environment to grow and expand. But at the time of liberalisation, the domestic industries were still not developed up to the extent it was thought and consequently, they could not compete with the multi-national companies. The dependence of domestic industries on traditional technologies which were neither cost effective nor quality effective was an important reason for their poor growth. Thus, the domestic industries were adversely affected by liberalisation.</p>	4

32	<p>I. The economic reforms have enabled India to access and compete in the international markets.</p> <p>This facilitated the movement of goods and services across the international boundaries.</p> <p>II. Increased inflows of foreign capital and investment to India have eliminated the shortage of foreign exchange to finance the imports of sophisticated and advanced technologies to India.</p> <p>III. Moreover, the boom in the outsourcing and the service sector led Indian economic growth and GDP to increase by many folds.</p> <p>IV. But on the other side, agriculture that employed a significant proportion of population, failed to be benefited by these economic reforms.</p> <p>V. Also the reforms favoured the high income group population at the cost of their poor counterparts. This resulted in wide and still increasing economic and social inequalities among different section of population.</p> <p>VI. The economic reforms developed the areas that were well connected with the metropolitan cities leaving the remote and rural area undeveloped. Consequently, there were wide regional disparities.</p> <p>VII. The boom in the service sector, especially in the form of quality education, superior health care facilities, IT, tourism, multiplex cinemas, etc. were out of the reach of the poor section of the population.</p> <p>VIII. The population engaged in the agricultural and allied sectors has still not been able to share the fruits of advanced technology and modern techniques.</p> <p>IX. Further, the high income group has experienced increase in income, thereby, appreciating the quality of their consumption basket, leaving the low and middle income group to fight hard to earn their livelihood.</p> <p>Thus, it can be concluded that the economic reforms failed to provide social justice and enhance welfare of the general public of India</p>	4 1x 4
33	<p>The following are the various steps initiated by the Indian government to develop the rural markets:</p> <p><b>1. Regulated Markets:</b> The government came up with the concept of regulated market where the sale and purchase of the products are monitored by the Market Committee. This Market Committee consists of farmers, government agents and traders. This practice infuses greater transparency in the marketing system through the use of proper scales and weights. Such committees ensure the farmers and the consumers in receiving fair price in exchange of their products</p> <p><b>2. Infrastructure Development:</b> The present infrastructure is not sufficient to meet the growing demands of the farmers. Indian government provided cold storages and warehouses that help the farmers to sell their product at the time when the price is attractive. Also, railways offer subsidised transport facilities to the farmers. This enables the farmers to bring their product to urban areas where they can earn huge profits.</p>	6 3x 2

	<p><b>3. Co-operative Agricultural Marketing Societies:</b> The government also started co-operative marketing under which the farmers get access to fair prices. This is due to the better and enhanced bargaining power of the farmers via collective sale in the market.</p> <p><b>4. MSP Policy:</b> Minimum Support Price is a minimum legislated price that a farmer may charge in exchange for his products. This enables them to sell their products in the open market at a higher price. The MSP insulates the farmers in case of price fall as this is the minimum price that they can receive. The need of such assurance to the farmers is of immense importance as farming in India is subject to many uncertainties.</p> <p style="text-align: center;"><b>OR</b></p> <p>The non-farm areas of employment are essential with a view to raise income and exploring alternative avenues of sustainable livelihood besides agriculture. The following are the importance of non-farm employment opportunities in promoting rural diversification:</p> <ol style="list-style-type: none"><li>1. A substantial portion of Indian farming is dependent on the vagaries of monsoon, making it a risky affair to rely upon solely. Hence, non-farm employment opportunities are to be explored to enable the farmers to earn from alternative non-farm occupations. This will lessen the excess burden on agriculture by reducing disguised unemployment.</li><li>2. The kharif season opens up ample opportunities for agricultural employment. However, due to lack of irrigation facilities, the farmers fail to get gainful employment opportunities during the Rabi season. Therefore, absence of opportunities in agriculture sector should be compensated in non-farm sectors.</li><li>3. Agriculture being over crowded cannot further generate employment opportunities to the farmers. Therefore, the prospects of the non-farm sectors should be opened up in the rural areas to provide job opportunities, thereby, diverting workforce from the already crowded agricultural sector.</li><li>4. The non-farming sector has several segments that have dynamic linkages. Such linkages enhance the healthy growth of the rural areas.</li><li>5. The non-farm sector provides employment opportunities for the whole year as compared to the farming occupation. So, it helps to eradicate poverty from the rural areas.</li><li>6. Most of the output of non-farm sectors acts as an input for the large scale industries. For example, agro-processing industries, food processing industries, leather industry, tourism, etc. This has two-fold benefits. First, the large scale industries can specialize in their final output by relying on the processed inputs from the non-farm sectors. Secondly, such dependence of the large scale industries provides impetus to the non-farm sectors reducing the urban-rural regional disparities.</li></ol>	1x 6
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34	<p>The following reforms have been initiated by the government to meet the energy crises:</p> <p><b>Privatisation in Power Generation Sector:</b> The government earlier had the monopoly in the generation and distribution of electricity. Now, private sector has been given the rights to generate power.</p> <p><b>Privatisation in Power Transmission:</b> The Indian government has approved Tata Power and Power grid Corporation of India for constructing transmission networks in joint venture.</p> <p><b>POWER for ALL by 2012:</b> The Ministry of Power has set up an objective of 'POWER for ALL by 2012' to achieve the target of 1000 Kw Hr (Units) of per capita consumption of electricity in India. This objective is aligned with the objective to achieve an economic growth of 8% p.a. The main motive of this target is to improve the quality of power, improve the commercial viability of power industries and to provide power to all.</p> <p><b>Setting up Regulatory Mechanism:</b> The Central Electricity Regulatory Commission (CERC) along with State Electricity Regulatory Commissions (SERC) has been established in 19 states under the Electricity Regulatory Commissions Act, 1998. These commissions and authorities regulate tariff, promote efficiency and competition.</p> <p><b>Encouraging FDI:</b> In order to achieve the target of POWER for ALL by 2012, the Ministry of Power aimed at attracting US \$250 billion of Investment (FDI and Domestic Investment Combined) into the power sector.</p> <p><b>Accelerated Power Development and Reform Programme (APDRP):</b> APDRP has been initiated in the year 2000-01 with the motive of improving financial viability, reducing transmission and distribution losses and promoting transparency through computerization.</p> <p><b>Awareness:</b> The government is encouraging people to increase the use of renewable resources and also creating awareness among the people to reduce the conventional resources. During the Eight Five Year Plan, government has set up National Energy Efficiency Programme (NEEP) that aimed at conservation of petroleum products.</p> <p><b>Improving Productivity:</b> The Indian government has been emphasizing on the measures to improve the productivity of the existing power generating industries.</p> <p>( any 6.1x6=6)</p>	6
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<b>EEE PRE-BOARD EXAMINATION (2019-2020) SET 1</b>		
<b>Subject:</b> Economics		<b>Max.</b>
<b>Grade:</b> 12		T
<b>Name:</b>		<b>Section:</b>
<b>Roll No:</b>		
<b>General Instructions:</b>		
<ul style="list-style-type: none"> <li>• <i>This question paper consists of 6 printed pages.</i></li> <li>• <i>All answers to be written in the answer sheet provided.</i></li> </ul>		
<b>SECTION A: MACRO ECONOMICS</b>		
130.	Out of the following who are not residents of India? a. Indians going abroad for medical treatment b. Indians working permanently in the office of the UNO c. Indians working in the embassy in USA d. Indians working in a branch of an American Bank in India	1
131.	If legal reserve ratio is 0.2 and new deposits are Rs. 1000 crore, what is the total money created in the economy?	1
132.	What is meant money supply?	1
133.	If consumption function of an economy is given by $C = 100 + 0.8 \cdot Y$ and autonomous investment expenditure is RS. 300 crore, then the equilibrium level of income will be: a. Rs. 4000 crore b. Rs. 3000 crore c. Rs. 2000 crore d. Rs. 1000 crore	1
134.	Why does a change in investment cause a multiple change in income?	1
135.	A situation of excess demand will lead to _____ a. Increase in level of employment b. Decrease in level of employment c. No change in the level of employment d. None of these	1
136.	What is meant by accommodating transactions?	1
137.	_____ indicates that the government will have to borrow not only to finance its investments but also its consumption expenditure. a. Revenue deficit b. Fiscal deficit c. Primary deficit	1

	<p>d. Budget deficit</p> <p><b>OR</b></p> <p>_____ indicates borrowings of the government during the current year on account of current expenditure exceeding revenues.</p> <p>a) Revenue deficit b) Fiscal deficit c) Primary deficit d) Budget deficit</p>																
138.	BOT shows a deficit of Rs. 5000 crores and the value of Visible imports is Rs. 9000 crores. What is the value of Visible exports?	1															
139.	What is meant by Revaluation?	1															
140.	Distinguish between GDP at constant prices and GDP at current prices.	3															
141.	<p>State whether the following statements are true or false. Give valid reasons for your answers.</p> <p>(i) Investment multiplier can have a value between zero and one. (ii) A firm will increase production when realized saving is greater than realized investment.</p> <p><b>OR</b></p> <p>The savings function of an economy is <math>S = (-) 200 + 0.25Y</math>. The economy is in equilibrium when income is equal to ₹. 2000. Calculate:</p> <p>(a) Investment Multiplier (b) Consumption at break-even level of income (c) Investment expenditure at equilibrium level of income</p>	3															
142.	<p>Explain the following instruments of controlling credit by Central Bank:</p> <p>(a) Open market operations (b) Repo rate</p>	4															
143.	<p>From the following data about government budget, find (a) revenue deficit (b) Fiscal deficit (C) Primary deficit</p> <table border="1"> <thead> <tr> <th>S. No.</th> <th>Items</th> <th>(₹ in crores)</th> </tr> </thead> <tbody> <tr> <td>(i)</td> <td>Capital receipt net of borrowings</td> <td>95</td> </tr> <tr> <td>(ii)</td> <td>Revenue expenditure</td> <td>100</td> </tr> <tr> <td>(iii)</td> <td>Interest payments</td> <td>10</td> </tr> <tr> <td>(iv)</td> <td>Revenue receipts</td> <td>80</td> </tr> </tbody> </table>	S. No.	Items	(₹ in crores)	(i)	Capital receipt net of borrowings	95	(ii)	Revenue expenditure	100	(iii)	Interest payments	10	(iv)	Revenue receipts	80	4
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	(v) Capital expenditure	110																																		
<b>OR</b>																																				
Distinguish between 'fiscal deficit' and 'revenue deficit'. Will there be a fiscal deficit without a revenue deficit?																																				
144.	(a) When the price of foreign currency falls, the supply of foreign exchange falls? Give reasons. (b) Visits to foreign countries for sight seeing by the people of India is on the rise. What will be its likely impact on foreign exchange rate and on the balance of payments?																																			
145.	a. Calculate National income from the following: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>S. No.</th> <th>Particulars</th> <th>Rs. In lakhs</th> </tr> </thead> <tbody> <tr> <td>i)</td> <td>Subsidy</td> <td>40</td> </tr> <tr> <td>ii)</td> <td>Sales</td> <td>2300</td> </tr> <tr> <td>iii)</td> <td>Depreciation</td> <td>50</td> </tr> <tr> <td>iv)</td> <td>Exports</td> <td>100</td> </tr> <tr> <td>v)</td> <td>Closing stock</td> <td>20</td> </tr> <tr> <td>vi)</td> <td>Opening stock</td> <td>50</td> </tr> <tr> <td>vii)</td> <td>Intermediate purchases</td> <td>2000</td> </tr> <tr> <td>viii)</td> <td>Purchase of machinery</td> <td>1200</td> </tr> <tr> <td>ix)</td> <td>Import of raw material</td> <td>60</td> </tr> <tr> <td>x)</td> <td>Net factor income to abroad</td> <td>10</td> </tr> </tbody> </table> b. Will the following be a part of domestic factor income? Give reasons. i) Rent received by an Indian resident from the Russian embassy in India. ii) Expenditure on purchasing a car for use by a firm. iii) Purchase by foreign tourists.			S. No.	Particulars	Rs. In lakhs	i)	Subsidy	40	ii)	Sales	2300	iii)	Depreciation	50	iv)	Exports	100	v)	Closing stock	20	vi)	Opening stock	50	vii)	Intermediate purchases	2000	viii)	Purchase of machinery	1200	ix)	Import of raw material	60	x)	Net factor income to abroad	10
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(a) Explain how non-monetary exchanges a limitation of the gross domestic product are GDP as an indicator of welfare.  (b) Calculate (a) Domestic income (b) Compensation of employees																																				
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146.	Derive the saving curve from the given consumption curve. Show the point on consumption curve where average propensity to consume is greater than 1, equal to 1 and less than 1. Use diagram.	6																		
<b>SECTION B: INDIAN ECONOMIC DEVELOPMENT</b>																				
147.	<p>_____ implies using of modern technology.</p> <p>a) Globalisation b) Privatisation c) Modernisation d) Liberalisation</p>	1																		
148.	<p>Life expectancy was _____ years in India during the British rule.</p> <p>a. 65 b. 38 c. 32 d. 45</p>	1																		
149.	<p>In 1955, which committee noted the possibility of using small-scale industries for promoting rural development?</p> <p style="text-align: center;"><b>OR</b></p> <p>In which states the land reform was successful?</p>	1																		
150.	What is meant by economic planning?	1																		
151.	The government uses _____ as proxy for income of households to identify the poor.	1																		
152.	Name the movement started by National Literacy Mission.	1																		
153.	Why has the Government of India started levying a 2% ‘education cess’ on all Union taxes?	1																		
154.	<p>The per capita forest land in India is only:</p> <p>a. 0.06 hectare b. 0.07 hectare c. 0.08 hectare</p>	1																		

	d. 0.09 hectare													
155.	<p>Match the following:</p> <table border="1"> <tbody> <tr> <td>(i)</td><td>Life expectancy rate is highest</td><td>(A)</td><td>India</td></tr> <tr> <td>(ii)</td><td>Maternal mortality rate highest</td><td>(B)</td><td>China</td></tr> <tr> <td>(iii)</td><td>Access to improved sanitation lowest</td><td>(C)</td><td>Pakistan</td></tr> </tbody> </table> <p>a) i-C,ii-B,iii-A      b) i-B,ii-C,iii-A      c) i-A,ii-B,iii-C      d) i-C,ii-A,iii-B</p>	(i)	Life expectancy rate is highest	(A)	India	(ii)	Maternal mortality rate highest	(B)	China	(iii)	Access to improved sanitation lowest	(C)	Pakistan	1
(i)	Life expectancy rate is highest	(A)	India											
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156.	Reforms in _____ were introduced in 1978.	1												
157.	<p>Discuss the following as a source of human capital formation:</p> <p>(a) Expenditure on health      (b) Expenditure on migration</p>	3												
158.	<p>What steps need to be taken to achieve sustainable development according to Herman Daly, a leading environmental economist?</p> <p style="text-align: center;"><b>OR</b></p> <p>(a) Name the three major programmes that aim at improving the food and nutritional status of the poor.      (b) Name the programmes that help in the development of infrastructure and housing conditions of the poor.</p>	3												
159.	Explain the 'Deregulation of Industrial sector' as an economic reform.	4												
160.	<p>'The reform process led to economic growth and increase in FDI, however there was no consistency nor balanced growth in the various sectors' Explain.</p> <p style="text-align: center;"><b>OR</b></p> <p>What were the shortcomings of Green Revolution? Explain.</p>	4												
161.	China is ahead of India and Pakistan due to rapid economic development, what are the various factors that led to its rapid economic development?	4												
162.	<p>a. State the various sources of data on unemployment.</p> <p>b. Analyse the distribution of workforce in India and give reason for such a distribution from the following:</p> <table border="1"> <thead> <tr> <th>Status of workers</th> <th>% URBAN</th> <th>% RURAL</th> </tr> </thead> <tbody> <tr> <td>Self-employed</td> <td>43</td> <td>56</td> </tr> <tr> <td>Casual wage labourers</td> <td>15</td> <td>35</td> </tr> </tbody> </table>	Status of workers	% URBAN	% RURAL	Self-employed	43	56	Casual wage labourers	15	35	6			
Status of workers	% URBAN	% RURAL												
Self-employed	43	56												
Casual wage labourers	15	35												

	Regular salaried	42	9	
	Total	100	100	
	<b>OR</b> Answer both (i) and (ii) i. Is there is regional equality in health infrastructure in India? Discuss. ii. Power sector in India face various challenges. Comment.			
163.	Analyse role of Fisheries as an alternative source of non – farm employment in India, its problems and the steps to enhance its role.			6



### PREBOARD EXAMINATION (2022-2023) SET 1

<b>Subject:</b> Economics	<b>Max. Marks:</b> 80	
<b>Grade:</b> 12	<b>Time:</b> 3 Hours	
<b>Name:</b>	<b>Section:</b>	<b>Roll No:</b>

**General Instructions:**

- This question paper consists of \_\_\_\_ printed pages.
- All answers to be written in the answer sheet provided.

#### SECTION A: MACROECONOMICS

1.	An example of a stock variable is:			1
	a)	Sale of cars during the first quarter of 2015	b)	Number of tyres kept in the warehouse as of 2 March 2015
	c)	Interest paid to the bank on a loan	d)	Monthly water bill paid by a household
2.	Define capital formation.			1
3.	If the ex-ante investments is greater than ex-post investment, then it implies that there is			1
	a)	Unplanned investments	b)	Planned investments
	c)	Unplanned disinvestments	d)	Both b and c
4.	Demand deposits of a bank include			1
	a)	Cash deposits only	b)	Secondary deposits only
	c)	Derivative deposits only	d)	Primary deposits and secondary deposits only.

#### OR

	Demand deposits created by the commercial banks are called _____.			1
	a)	High powered money	b)	Time deposits
	c)	Inter – bank deposits	d)	Bank money
5.	Average propensity to Consume can never be			1
	a)	Positive	b)	Zero
	c)	More than one	d)	Less than 1
6.	Suppose in an imaginary economy GDP at market price in a particular fiscal year was Rs. 4000 crores, national income was Rs.2500 crores, net factor income paid by the economy to the rest of the world was Rs. 400 crores and the value of net indirect taxes is Rs. 450			1

*Economics 12 Academic Window*

	crores. Estimate the value of consumption of fixed capital for the economy.				
7.	Breakeven level of income is Rs. 1000 and MPC is equal to 0.6. The level of saving corresponding to autonomous consumption is :				1
	a) 400	b) (-) 400			
	c) 600	d) (-) 600			
8.	In a government budget revenue deficit is Rs. 50000 crores and borrowings are Rs. 75000 crores and interest on borrowings is Rs. 10000. How much is the fiscal deficit?				1
9.	What is meant by Escheat?				1
10.	<u>                        </u> is a revenue receipt of the government.				1
	a) Funds raised by the government by issuing National Savings Certificate	b) Sale of 40% shares of a public undertaking to a private enterprise.			
	c) Profits of LIC a public enterprise	d) Amount borrowed from Japan for construction of Bullet train			
11.	a. Given nominal income, how can we find real income? b. Explain how ‘non-monetary exchanges’ are a limitation of the gross domestic product as an indicator of economic welfare. <b>OR</b> Suppose a country produces only one good A and its output during the years 2020 and 2021 was 100 units and 110 units respectively. The market price of the commodity during the years 2020 and 2021 were Rs. 50 and Rs. 55 per unit respectively. (i) Find out the percentage change in real GDP and nominal GDP for the year 2021. (ii) Find GDP deflator for the years 2020 and 2021 ( in percentage terms) and infer the results.				3
12.	State whether the following statements are true or false. Justify your answer. a. If the LRR is 20% and the primary deposit is Rs. 500, then the money created by banks is Rs. 1000 b. A rise in the repo rate will increase the credit flows to the automobile sector.				3
13.	'Inventories accumulate when planned investment is less than planned saving. Is the statement true or false? Give reason in support of your answer.'				4
14.	Explain the function of bank of issue by the central bank.				4
15.	a. ‘A large fiscal deficit leads to a higher revenue deficit in future’. Do you agree with the statement? Give reasons in support your answer. b. What will be the effect of deficit budget on the aggregate demand?				4
<b>OR</b>					

*Economics 12 Academic Window*

	<p>State giving reasons, whether the following statements are true or false:</p> <ol style="list-style-type: none"> <li>Fiscal deficit indicates total borrowing requirements of the government.</li> <li>Primary deficit equals revenue deficit less interest payments</li> </ol>	2,4																																							
16.	<p>a. Giving reasons, explain how the following should be treated in estimating gross domestic product at market price:</p> <ol style="list-style-type: none"> <li>Fees paid to a mechanic by a firm</li> <li>Interest paid by an individual on a car loan taken from a bank</li> <li>Income from sale of shares.</li> </ol> <p>b. Calculate Net Domestic Product at factor Cost:</p> <table border="1"> <thead> <tr> <th>S. No.</th> <th>Items</th> <th>Rs. In crores</th> </tr> </thead> <tbody> <tr> <td>(i)</td> <td>Private Final Consumption expenditure</td> <td>8000</td> </tr> <tr> <td>(i)</td> <td>Govt final consumption expenditure</td> <td>1000</td> </tr> <tr> <td>(ii)</td> <td>Exports</td> <td>70</td> </tr> <tr> <td>(iii)</td> <td>Imports</td> <td>120</td> </tr> <tr> <td>(iv)</td> <td>Annual allowance for wear and tear of capital stock</td> <td>60</td> </tr> <tr> <td>(v)</td> <td>Fixed business investment</td> <td>300</td> </tr> <tr> <td>(vi)</td> <td>Residential investment</td> <td>200</td> </tr> <tr> <td>(vii)</td> <td>Change in stock</td> <td>100</td> </tr> <tr> <td>(viii)</td> <td>Factor income to abroad</td> <td>40</td> </tr> <tr> <td>(ix)</td> <td>Factor income from abroad</td> <td>90</td> </tr> <tr> <td>(x)</td> <td>Net product taxes</td> <td>400</td> </tr> <tr> <td>(xi)</td> <td>Net production taxes</td> <td>250</td> </tr> </tbody> </table>	S. No.	Items	Rs. In crores	(i)	Private Final Consumption expenditure	8000	(i)	Govt final consumption expenditure	1000	(ii)	Exports	70	(iii)	Imports	120	(iv)	Annual allowance for wear and tear of capital stock	60	(v)	Fixed business investment	300	(vi)	Residential investment	200	(vii)	Change in stock	100	(viii)	Factor income to abroad	40	(ix)	Factor income from abroad	90	(x)	Net product taxes	400	(xi)	Net production taxes	250	6
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17.	<p>a. In an economy, the consumption function is <math>C = 50 + 0.9Y</math> and the initial investment is Rs. 20 crores. Calculate:</p> <ol style="list-style-type: none"> <li>Equilibrium level of income</li> <li>Break-even level of income</li> <li>What is the level of saving required by the economy to move from breakeven level to equilibrium level of income?</li> </ol> <p>b. State whether the following is true or false, giving reasons:</p> <ol style="list-style-type: none"> <li>The investment multiplier can have a value between zero and one.</li> <li>If the MPC is double the MPS, the value of investment multiplier will be 2.</li> <li>In a situation of deficient demand, the central bank decreases reverse repo rate.</li> </ol>	6																																							
	<b>SECTION B: INDIAN ECONOMICS</b>																																								
18.	The British rule led to the collapse of India's world famous handicraft industries. What was its effect on Indian Economy?	1																																							
	<p>a) Massive unemployment in India</p> <p>b) Increasing imports of cheap manufactured goods from Britain</p>																																								
	<p>c) Both (a) and (b)</p> <p>d) Neither (a) nor (b)</p>																																								
19.	Arrange the following events of India before the Independence in chronological order:	1																																							

	(iv) The opening of Suez canal (v) Introduction of railways (vi) Second stage of demographic stage (vii) Incorporation of Tata Iron and Steel Company				
	a) (i), (ii), (iii), (iv)		b)	(ii) (i), (iii), (iv)	
	c) (ii) (i) (iv) (iii)		d)	(iii)(ii)(i) (iv)	
20.	What is meant by Demonetisation?				1
21.	Which of the following statement is true?				1
	a)	Major share of education expenditure goes to higher education.	b)	No education cess is imposed by the government on union taxes	
	c)	Human development is based on the idea that education and health are integral to human wellbeing.	d)	Education and literacy can be used as synonyms of each other.	
22.	<u>                </u> is an indicator which is used for analyzing the employment situation in India. ( <i>Fill in the blanks</i> )				1
23.	According to the nature of employment, how are the large part of labour employed in India?				1
24.	What is Environment? <b>OR</b> What is absorptive capacity?				1
25.	When was the Central Pollution Control Board set up?				1
	a)	1974	b)	1975	
	c)	1956	d)	1951	
26.	What is Montreal Protocol?				1
27.	Great Leap Forward campaign focused on:				1
	a)	New agricultural strategy	b)	Widespread industrialization	
	c)	Privatisation	d)	Economic reforms	
28.	Explain in brief the state of industrial sector during the colonial period? <b>OR</b> Comment on the demographic condition of the Indian economy on the time of independence.				3
29.	'China was ahead of India and Pakistan on many human development indicators. Justify using any 3 indicators.				3
30.	Government expenditure on education is inadequate. Discuss. <b>OR</b> Argue in favor of the need for different forms of government intervention in education and health sectors.				4

*Economics 12 Academic Window*

31.	Discuss the Distribution of worker population/workforce by Gender.	4
32.	Compare India, China and Pakistan in terms of GDP GROWTH RATE.	4

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## EEE PRE-BOARD EXAMINATION (2019-2020) SET 1 ANSWER KEY

<b>Subject:</b> Economics		<b>Max.</b>										
<b>Grade:</b> 12		T										
<b>Name:</b>	<b>Section:</b>	<b>Roll No:</b>										
<b>General Instructions:</b>												
<ul style="list-style-type: none"> <li><i>This question paper consists of 5 printed pages.</i></li> <li><i>All answers to be written in the answer sheet provided.</i></li> </ul>												
<b>SECTION A: MACRO ECONOMICS</b>												
164.	Ans: d)	1										
165.	Ans: rs. 5000 crores	1										
166.	Ans: It refers to the stock of money held with the public at a particular point of time.	1										
167.	Ans: c)	1										
168.	Since the value of multiplier is always greater than 1	1										
169.	c)	1										
170.	Ans: Transactions undertaken to maintain the BOP identity.	1										
171.	a)  OR  c)	1										
172.	Ans: Rs. 4000 crores.	1										
173.	Ans: Refers to rise in the value of domestic currency in terms of foreign currency.	1										
174.	Ans: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">GDP at constant prices</td> <td style="padding: 2px;">GDP at current prices</td> </tr> <tr> <td style="padding: 2px;">Estimated at constant prevailing prices</td> <td style="padding: 2px;">At current year price</td> </tr> <tr> <td style="padding: 2px;">Facilitates inter temporal comparisons</td> <td style="padding: 2px;">Does not facilitate inter-temporal comparisons</td> </tr> <tr> <td style="padding: 2px;">Better indicator of growth</td> <td style="padding: 2px;">Not a better indicator</td> </tr> <tr> <td style="padding: 2px;">Increases with only increase in output</td> <td style="padding: 2px;">Increases with either output or prices</td> </tr> </table>	GDP at constant prices	GDP at current prices	Estimated at constant prevailing prices	At current year price	Facilitates inter temporal comparisons	Does not facilitate inter-temporal comparisons	Better indicator of growth	Not a better indicator	Increases with only increase in output	Increases with either output or prices	3
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Increases with only increase in output	Increases with either output or prices											

175.	<p>(i) False, because MPC lies between zero and one. <math>K = 1/1 - 0 = 1</math> or <math>k = 1/0 = \infty</math></p> <p>(ii) False, it will decrease production as there is accumulation of unsold inventories.</p> <p style="text-align: center;"><b>OR</b></p> <p>(a) <math>I = ₹. 300</math>          (b) <math>C = ₹ 800</math>          (c) <math>K = 4</math></p>	3
176.	<p>Ans:</p> <p>(a) OMO refers to the sale and purchase of govt security to /from public and commercial banks by the central bank.</p> <p>Sale of government securities reduces the credit availability with the commercial banks and also decreases the amount of credit they give. Therefore, money supply and demand falls. This is done during Excess demand or inflationary gap.</p> <p>Purchase of securities by Central bank increases credit availability with the commercial banks and expands the money supply in the economy. This is done during deficient demand or deflationary gap.</p> <p>Open market operations:</p> <p>(b) Repo rate: Repo rate is the rate at which the central bank of a country lends money to commercial banks to meet their short-term needs against approved securities or eligible bills of exchange.</p> <p>An increase in the repo rate increases the cost of borrowings from central bank. In turn it causes the commercial banks to increase their lending rates, which discourages borrowers from taking loans and thus reducing the volume of credit.</p> <p>A decrease in the repo rate reduces the cost of borrowings for the commercial banks and in turn will reduce the interest rate. This encourages the borrowers to take loans and thus increases the volume of credit</p>	4
177.	<p>Ans:</p> <p><math>RD = ₹. 20 \text{ crs.}</math>  <math>FD = ₹. 35 \text{ crs}</math>  <math>PD = ₹. 25 \text{ crs}</math></p> <p style="text-align: center;"><b>OR</b></p> <p><b><u>Revenue Deficit</u></b></p> <p>RD is defined as the excess of revenue expenditure over revenue receipts.</p> <p><u><math>RD = Revenue \ exp. - Revenue \ Receipt</math></u> when <math>RE &gt; RR</math></p> <p><b><u>Warning to Govt:</u></b> High revenue deficit indicates a <b>situation of warning</b> to the government to cut its expenditure or increase its tax and non tax receipts.</p> <p><b><u>Fiscal deficit:</u></b></p> <p>FD is defined as excess of total expenditure over total receipts</p>	4

	<p>excluding borrowing.</p> <p><u>FD= Total expenditure- Total Receipts (exclude borrowings)</u></p> <p><b>Extent of Borrowings:</b> FD measures the amount of borrowings required by the govt and thus shows the extent of government dependence on borrowing to meet its expenditure.</p> <p>Yes, there can be a fiscal deficit even without a revenue deficit when There is a revenue surplus and the capital budget is in deficit.</p>																																											
178.	<p>Ans:</p> <p>(a) When the foreign exchange rate falls, the investments from abroad will fall as now the foreigner finds it dearer to invest in domestic country. Along with, exports will decrease, hence supply of foreign currency will also fall.</p> <p>(b) The increase in the visits to foreign countries, there will be an increase in demand for foreign exchange, leading to increase in exchange rate. There will be increase in the deficit of BOP</p>	4																																										
179.	<p>a. Calculate National income</p> <table border="1"> <thead> <tr> <th>S. No.</th> <th>Particulars</th> <th>Rs. In lakhs</th> </tr> </thead> <tbody> <tr> <td>xi)</td> <td>Subsidy</td> <td>40</td> </tr> <tr> <td>xii)</td> <td>Sales</td> <td>2300</td> </tr> <tr> <td>xiii)</td> <td>Depreciation</td> <td>50</td> </tr> <tr> <td>xiv)</td> <td>Exports</td> <td>100</td> </tr> <tr> <td>xv)</td> <td>Closing stock</td> <td>20</td> </tr> <tr> <td>xvi)</td> <td>Opening stock</td> <td>50</td> </tr> <tr> <td>xvii)</td> <td>Intermediate purchases</td> <td>2000</td> </tr> <tr> <td>xviii)</td> <td>Purchase of machinery</td> <td>1200</td> </tr> <tr> <td>xix)</td> <td>Import of raw material</td> <td>60</td> </tr> <tr> <td>xx)</td> <td>Net factor income to abroad</td> <td>10</td> </tr> </tbody> </table> <p>b. Will the following be a part of domestic factor income? Give reasons.</p> <p>iv) Rent received by an Indian resident from the Russian embassy in India.      v) Expenditure on purchasing a car for use by a firm.      vi) Purchase by foreign tourists.</p> <p style="text-align: center;"><b>OR</b></p> <p>(c) Explain how non-monetary exchanges a limitation of the gross domestic product as an indicator of welfare.</p> <p>(d) Calculate (a) Domestic income (b) Compensation of employees</p> <table border="1"> <thead> <tr> <th>S. No</th> <th>Particulars</th> <th>Rs. In crs</th> </tr> </thead> <tbody> <tr> <td>(xiv)</td> <td>Net factor income from abroad</td> <td>(-)20</td> </tr> <tr> <td>(xv)</td> <td>Net exports</td> <td>10</td> </tr> </tbody> </table>	S. No.	Particulars	Rs. In lakhs	xi)	Subsidy	40	xii)	Sales	2300	xiii)	Depreciation	50	xiv)	Exports	100	xv)	Closing stock	20	xvi)	Opening stock	50	xvii)	Intermediate purchases	2000	xviii)	Purchase of machinery	1200	xix)	Import of raw material	60	xx)	Net factor income to abroad	10	S. No	Particulars	Rs. In crs	(xiv)	Net factor income from abroad	(-)20	(xv)	Net exports	10	6
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(xvi)	Net indirect taxes	50	
(xvi)	Rent and royalty	20	
(xvi)	Consumption of fixed capital	10	
(xix)	Private final consumption expenditure	400	
(xx)	Corporate tax	10	
(xxi)	Interest	30	
(xxi)	Net domestic capital formation	50	
(xxi)	Dividends	22	
(xxi)	Government final consumption expenditure	100	
(xxv)	Undistributed profits	5	
(xxv)	Mixed income	23	

**Ans:**

a)  $NNPfc = \text{Rs. } 250 \text{ crores}$

b)

- i. Not included. Factor income earned outside the domestic territory.
- ii. Included. Purchase of final capital good part of gross capital formation
- iii. Included. As it is part of exports as it is purchases made by foreigners on the goods produced in India.

**OR**

- a) Non – monetary exchanges are a limitation as there is no market value hence difficult to estimate. Eg. Vegetables grown in garden. Also barter system that still exists in India is not taken into account. There is underestimation of GDP.
- b) Domestic Income =  $NDPfc = \text{Rs. } 510 \text{ crores}$   
 $COE = \text{Rs. } 400 \text{ crores}$

180.	Ans:	6
<b>SECTION B: INDIAN ECONOMIC DEVELOPMENT</b>		
181.	Ans: d	1
182.	Ans: 32	1
183.	Karve committee OR west Bengal and Kerala	1
184.	Ans: Economic planning refers to initiate a process of development that will raise the living standards and provide new opportunities for a richer and a more varied life.	1
185.	Ans: Monthly Per Capita Expenditure(MPCE)	1
186.	Ans: 'Education for All'	1
187.	Government of India has started levying a 2 % education cess on all union taxes inorder to spend the revenues from education cess to be used for spending on elementary education.	1
188.	© 0.08 hectare	1

189.	Match the following: <table border="1" data-bbox="249 238 1424 418"> <tbody> <tr> <td>(i)</td><td>Life expectancy rate is highest</td><td>(A)</td><td>India</td></tr> <tr> <td>(ii)</td><td>Maternal mortality rate highest</td><td>(B)</td><td>China</td></tr> <tr> <td>(iii)</td><td>Access to improved sanitation lowest</td><td>©</td><td>Pakistan</td></tr> </tbody> </table> <p>e) i-C,ii-B,iii-A f) i-B,ii-C,iii-A g) i-A,ii-B,iii-C h) i-C,ii-A,iii-B ans: b)</p>	(i)	Life expectancy rate is highest	(A)	India	(ii)	Maternal mortality rate highest	(B)	China	(iii)	Access to improved sanitation lowest	©	Pakistan	1
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(iii)	Access to improved sanitation lowest	©	Pakistan											
190.	Ans: china	1												
191.	Ans: (1.5+1.5) (a) i) Poor health and undernourishment adversely affect the quality of labour, wherein the labour without access to medical facilities is compelled to abstain from workforce leads to loss of productivity. ii) Adequate food and proper nourishment to people along with adequate health, sanitation facilities lead to qualitative improvement in human capital. iii) Various forms of health expenditure are: a. Preventive medicine like vaccination b. Curative medicine, medical intervention during illness c. Social medicine – spread of health illiteracy d. Provision of clean drinking water e. Good sanitation facilities (b) Expenditure on migration:  People migrate in search of jobs from one place to another that fetch them higher salaries than what they may earn in the native places. Unemployed people from rural areas migrate to urban areas in search of jobs. Technically qualified persons (like engineers, doctors, etc) migrate to other countries because of higher salaries that they may get in such countries. Migration in both these cases involve two kinds of cost <ul style="list-style-type: none"> <li>o Cost of transportation</li> <li>o Higher cost of living in the migrated places</li> </ul>	3												
192.	Ans: (3) According to Herman Daly, a leading environmental economist, to achieve sustainable development the following needs to be done: (i) Limiting the human population to a level within the carrying capacity of the environment. The carrying capacity is like a ‘plimsoll line’ of the ship which is its load limit mark (ii) Technological progress should be input efficient and not input consuming	3												

	<p>(iii) Renewable resources should be extracted on a sustainable basis, ie. The rate of extraction should not exceed rate of regeneration.</p> <p>(iv) For non-renewable resource rate of depletion should not exceed the rate of creation of renewable substitutes and</p> <p>(v) Inefficiencies arising from pollution should be corrected.</p> <p style="text-align: center;">OR</p> <p>(a) (i) Public Distribution System (ii) Integrated Child Development Scheme          (iii) Midday Meal Scheme</p> <p>(b) (i) Pradhan Mantri Gram Sadak Yojana (ii) Pradhan Mantri Gramodaya Yojana (iii) Valmiki Ambedkar Awas Yojana</p> <p style="text-align: center;">(1.5+1.5)</p>	
193.	<p>The various measure undertaken in the industrial sector reforms introduced by the government of India in July 1991 to deregulate the industrial sector. they are:</p> <p><b>(i) Abolition of industrial licensing:</b>          According to NEP, industrial licensing was abolished for almost all product except for some industries which are of strategic importance for a nation like alcohol, cigarettes, hazardous chemicals, industrial explosives, aerospace and drugs and pharmaceuticals.</p> <p><b>(ii) Decrease in the role of Public sector:</b>          It was felt that government cannot control everything so private sector was allowed to participate in growth objective of the country and now the only industries which are reserved for the public sector ( number of industries reduced from 17 to 3) are (a) defence equipments, (b) atomic energy generation and (c) railway transport.</p> <p><b>(iii) Dereservation of production by small scale industries:</b>          Prior to 1991, some goods could be produced only in small scale industries. But many goods produced by small scale industries have been de-reserved. The investment limit on plant and machinery for small scale industries has been increased to Rs. 5 crores.</p> <p><b>(iv) Price determination by market forces:</b>          With the economic reform, now in many industries, the market has been allowed to determine the prices through the demand and supply forces.</p> <p><b>(v) Import of capital goods:</b>          Prior to 1991, there restrictions on import of certain industrial (capital) goods. But now there is freedom to import capital goods and technology in order to develop strong infrastructural base of the country.</p>	4
194.	<p>'</p> <p>Ans: (2+2)</p> <p><b>Increase in GDP Growth:</b> The growth in the GDP increased from 5.6 % in 1980-91 to 8.2 % during 2007-12</p> <p><b>Inflow of foreign investment:</b> In the post reform period, FDI and foreign institutional investment(FII) have increased from about US \$ 100 million in 1990-91 to US \$ 73.5</p>	4

	<p>billion in 2014-15.</p> <p>During the reform period, growth of agriculture has declined, industrial sector reported fluctuation, whereas service sector has gone up. This indicates that the growth is driven mainly by the service sector.</p> <p>During 2012-15, there has been a setback in the growth rates of different sectors</p> <ol style="list-style-type: none"> <li>Agriculture recorded a high growth rate during 2013-14 but in subsequent years witnessed a negative growth</li> <li>Industrial sector witnessed a steep decline during 2012-13 , then it began to show a continuous positive growth</li> <li>Service sector continued to have higher growth – higher than the overall GDP, with a growth rate of 10.3%</li> </ol> <p style="text-align: center;"><b>OR</b></p> <p>While the nation had immensely benefited from the green revolution, the technology involved was not free from certain shortcomings:</p> <ol style="list-style-type: none"> <li><b>Increase in disparity:</b> One such risk was the rising disparities between small and big farmers since only the big farmers could afford the required inputs, thereby reaping most of the Green revolution. Due to this, rich farmers earned more revenues as compared to poor farmers because of lack of funds with them.</li> <li><b>Risk of pest attack:</b> the HYV crops were more prone to pest attack and the small farmers who adopted this technology could lose everything in a pest attack. However, the risk of pest attack was considerably reduced by the services rendered by research institutes established by the government.</li> <li><b>Limited crops:</b> The effect of green revolution is confined to limited crops like wheat, rice, bajra, maize etc. It has limited effect on commercial crops like tea, rubber, jute etc.</li> <li><b>Regional imbalance:</b> Effect of green revolution has been only in Punjab, Haryana, Tamil Nadu, Maharashtra, UP and Andhra Pradesh. Thus, there were regional inequalities.</li> </ol>	
195.	<p>Ans:</p> <ol style="list-style-type: none"> <li>Establishment of infrastructure in the areas of education and health, land reforms, long existence of decentralized planning and existence of small enterprises helped positively in improving the social and income indicators in the post reform period.</li> <li>Through the commune system, there was more equitable distribution of food grains.</li> <li>Each reform measure was first implemented at a smaller level and then extended on a massive scale.</li> <li>The experimentation under decentralized government enabled to assess the economic, social and political costs of success or failure. For instance, when reforms were made in agriculture by handing over plots of land to individuals for cultivation, it brought prosperity to a vast number of poor people.</li> </ol>	4
196.	<p>Ans:</p> <ol style="list-style-type: none"> <li>There are three sources of data on unemployment:           <ol style="list-style-type: none"> <li>Reports of Census of India: Directorate General of Census in India collects the information on the economic activities</li> </ol> </li> </ol>	6

	<p>of people and</p> <p>ii) National Sample Survey Organisation (NSSO) The NSSO collects data through sample surveys and gives annual estimate of employment and unemployment.</p> <p>iii) Directorate General of Employment and Training (DGET): Over the last 30 years, DGET has been implementing the Employment Market Information (EMI) scheme which provides information about the structure of employment, occupational compositions and educational profile of employees.</p> <p>b)</p> <p>i) Self-employment is a major source of livelihood in both rural (56%) and urban areas (43%). In rural areas it is more than urban because rural people work on their own plots of land and cultivate independently.</p> <p>ii) Casual wage work is second major source of employment in rural areas with 35% as compared to 15% in urban areas.</p> <p>iii) Regular salaried employees: In urban areas, both self-employment and regular salaried jobs are greater. And regular salaried are more in urban than in rural.</p> <p>iv) This is because the nature of work in urban areas is different. Obviously, everyone cannot run factories, shops and offices of various types. Moreover, enterprises in urban areas require workers on a regular basis.</p>	
197.	<p><b>OR</b></p> <p><b>(i) Regional variations:</b></p> <ul style="list-style-type: none"> <li>a. Though 70 % of India's population lives in rural areas, only 1/5<sup>th</sup> of its hospitals are located in rural areas.</li> <li>b. Rural India has only half of the number of dispensaries.</li> <li>c. Only about 30% of beds in government hospitals are located in rural areas.</li> <li>d. PHCs in rural areas do not even offer X ray or blood testing facilities, which for a city dweller constitutes basic healthcare.</li> <li>e. States like Bihar, MP, Rajasthan and UP are relatively lagging behind in healthcare facilities.</li> <li>f. The poorest 20% of Indians living in both urban and rural areas spend 12 % of their income on health care while the rich spend only 2 %</li> </ul> <p>Ans:</p> <ul style="list-style-type: none"> <li>o The fishing community regards the water body as 'mother' and 'provider'. The water bodies consisting of sea, oceans, rivers, lakes, natural aquatic ponds, streams etc., are therefore, an integral and life-giving source for the</li> </ul>	6

	<p>fishing community.</p> <ul style="list-style-type: none"><li>○ In India, after progressive increase in budgetary allocations and introduction of new technologies in fisheries and aquaculture, the development of fisheries has come a long way.</li><li>○ Presently, fish production from inland sources contributes about 64% to the total value of fish production and the balance 36% comes from the marine sector (sea and oceans).</li><li>○ Even though women are not involved in active fishing, about 60% of the workforce in export marketing and 40% in internal marketing are women.</li><li>○ Today fish production accounts for 0.8 % of the total GDP.</li><li>○ In India, West Bengal, Andhra Pradesh, Kerala, Gujarat, Maharashtra, and Tamilnadu are major fish producing areas</li></ul> <ul style="list-style-type: none"><li>• Problems faced: A large share of fish worker families are poor. Rampant underemployment, low per capita earnings, absence of mobility of labour to other sectors and a high rate of illiteracy and indebtedness are some of the major problems fishing community face today.</li></ul> <p>To improve:</p> <ul style="list-style-type: none"><li>a) There is a need to increase credit facilities through cooperatives and SHGs for fisherwomen to meet the working capital requirements for marketing.</li><li>b) Problems related to over-fishing and pollution need to be regulated and controlled.</li><li>c) Welfare programmes for the fishing community have to be re-oriented in a manner which can provide long term gains and sustenance of livelihoods.</li></ul>	
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<b>EEE PRE-BOARD EXAMINATION (2019-2020) SET 2</b>		
<b>Subject: Economics</b>	<b>Max.</b>	
<b>Grade: 12</b>	<b>T</b>	
<b>Name:</b>	<b>Section:</b>	<b>Roll No:</b>
<b>General Instructions:</b>		
<ul style="list-style-type: none"> <li><i>This question paper consists of 5 printed pages.</i></li> <li><i>All answers to be written in the answer sheet provided.</i></li> </ul>		
<b>SECTION A: MACRO ECONOMICS</b>		
198.	Which of the following is a stock? a. Wealth b. Savings c. Exports d. Profit	1
199.	Define CRR. How will increase in CRR affect banks' ability to create credit? <b>OR</b> What is the difference between Repo Rate and Reverse Repo rate? If Repo rate is 8% reverse repo rate will be _____?	1
200.	Which of these are chequable deposits a. Time deposits b. Demand Deposits c. Savings Deposit d. Both (b) and (c)	1
201.	When Marginal propensity to consumer is greater than Marginal Propensity to Save, the value of investment multiplier will be greater than 5	1
202.	What is the implication of Keynes Psychological Law of Consumption?	1
203.	When aggregate demand exceeds aggregate supply a. National income will rise b. National income will fall c. Investment will fall d. Investment will rise	1
204.	Interest payment made on foreign debt is recorded on a. Current account debit side because it reduces liabilities c. Capital expenditure credit side because it creates asset b. Current account debit side because it does not reduce liabilities d. Current account debit side because it does not increase liabilities	1
205.	In the government budget, if revenue deficit is ₹50,000 crores and borrowings are ₹ 75,000 crores how much is the deficit?	1
206.	What transactions are undertaken to make equilibrium in the balance of payment account? What is the motive behind these transactions?	1

207.	Give the differences between revaluation and appreciation of domestic currency?	1																																										
208.	Give 3 precautions while calculating national income by the expenditure method	3																																										
209.	In an economy planned saving is greater than planned investment. Explain how the economy achieves equilibrium level of national income <b>OR</b> The ratio of Marginal propensity to consume and marginal propensity is 3:2. Autonomous consumption is Rs 200 crores and autonomous investment is Rs 1000 crores. Find Equilibrium level of income and breakeven level of income. If the investment increases to 5000 crores, find the impact on GDP.	3																																										
210.	Explain the process of credit creation by commercial banks	4																																										
211.	Answer part (a) and (b) a. Are fiscal deficits necessarily inflationary b. How can the government influence distribution of income through its government budget	4																																										
212.	“Rupee can depreciate another 4% against the USD by 2019-end”. Business Standard. November 7 <sup>th</sup> 2019. What would be impact on the Balance of Trade of the country? <b>OR</b> <u>Answer both (i) &amp; (ii)</u> iii. The government, in its Union Budget 2019-20, has proposed an increase in gold import duty from 10 per cent to 12.5 per cent.” Explain the impact of this transaction on the exchange rate? iv. “India is the world’s second largest arms importer, and imports include Rafale fighters from France and Triumph surface to surface missile system from Russia”. Where would these transactions be recorded in the BOP and why?	4																																										
213.	A). <u>Answer both (a and (b) below:</u> c. Calculate Value Added by Firm A and Firm B from the following data	6																																										
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	<p>d. How will the following be treated while calculating national income. Give reasons</p> <ul style="list-style-type: none"> <li>v. Dividends received by Indian Firm from his investment in shares of a foreign company</li> <li>vi. Money received by a family in India from relatives working abroad</li> <li>vii. Salaries paid to Russians working in Indian Embassy in Russia</li> </ul> <p><b>OR</b></p> <p><b>B: Answer both (i)) and (ii) below</b></p> <p>i. How are firms and households interdependent upon each other in a circular flow model?</p> <p>ii. Calculate imports from the following data</p> <table border="1"> <thead> <tr> <th>S.No</th><th>Particulars</th><th>Amount (in ₹ Cr)</th></tr> </thead> <tbody> <tr> <td>xii.</td><td>Sales</td><td>3500</td></tr> <tr> <td>xiii.</td><td>Exports</td><td>800</td></tr> <tr> <td>xiv.</td><td>Net fixed Capital formation</td><td>150</td></tr> <tr> <td>xv.</td><td>Intermediate consumption</td><td>1650</td></tr> <tr> <td>xvi.</td><td>Consumption of fixed capital</td><td>100</td></tr> <tr> <td>xvii.</td><td>Change in stock</td><td>250</td></tr> <tr> <td>xviii.</td><td>Net indirect taxes</td><td>220</td></tr> <tr> <td>xix.</td><td>Private final consumption expenditure</td><td>550</td></tr> <tr> <td>xx.</td><td>Purchase of goods by government</td><td>250</td></tr> <tr> <td>xxi.</td><td>Compensation to employees paid by government</td><td>200</td></tr> </tbody> </table>	S.No	Particulars	Amount (in ₹ Cr)	xii.	Sales	3500	xiii.	Exports	800	xiv.	Net fixed Capital formation	150	xv.	Intermediate consumption	1650	xvi.	Consumption of fixed capital	100	xvii.	Change in stock	250	xviii.	Net indirect taxes	220	xix.	Private final consumption expenditure	550	xx.	Purchase of goods by government	250	xxi.	Compensation to employees paid by government	200	
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xv.	Intermediate consumption	1650																																	
xvi.	Consumption of fixed capital	100																																	
xvii.	Change in stock	250																																	
xviii.	Net indirect taxes	220																																	
xix.	Private final consumption expenditure	550																																	
xx.	Purchase of goods by government	250																																	
xxi.	Compensation to employees paid by government	200																																	
214.	Explain the concept of underemployment equilibrium with the help of a diagram. Explain 3 measures under an easy monetary policy to reach full employment	6																																	
<b>SECTION B: INDIAN ECONOMIC DEVELOPMENT</b>																																			
215.	When was the Planning Commission set up? a. 1949 b. 1950 c. 1956 d. 1958	1																																	
216.	What was the motive behind systematic deindustrialization of India?	1																																	
217.	What were the twin objectives of import substitution? <b>OR</b> Which Act empowered the Government to issue licenses? Which activities were these licenses issued for	1																																	
218.	Which of these is not a goal of five year plan: a. Growth b. Equity c. Modernization d. Land reforms	1																																	

219.	Who introduced the concept of “Jail Cost of Living”? a. Dadabhai Naoroji b. Mahatma Gandhi c. Jawaharlal Nehru d. Sardar Patel	1
220.	In the year _____, the Indian Government made free and compulsory education for ages 6-14 years a. 2001 b. 2003 c. 2009 d. 2007	1
221.	What is casualisation of labour? What is the percent of casual workers in India’s work force?	1
222.	What is the Montreal Protocol?	1
223.	_____ has the highest life expectancy at birth a. India b. Pakistan c. China d. Both (a) and (b)	1
224.	What is commune system of farming?	1
225.	Examine the role of education in the economic development of a nation.	3
226.	What is Sustainable Economic Development? Enumerate some strategies for sustainable development <b>OR</b> Explain the three dimensional attack on poverty adopted by the government India.	3
227.	What are the advantages that India has that make it a preferred destination for outsourcing?	4
228.	“Despite reforms, the Industrial sector has performed poorly and GDP growth has been lower than expected.” Discuss. <b>OR</b> Discuss reasons behind the progress made by the industrial sector during 1951-1991	4
229.	Discuss achievement and failure of Reforms initiated in China and Pakistan	4
230.	Answer both (a) and (b) a. Compared to urban women, more rural women are found working. Why? b. The following table shows distribution of workforce in India for the	6

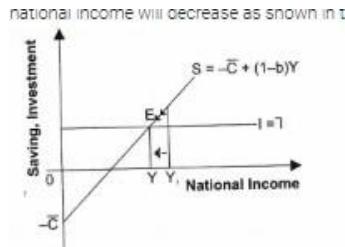
	<p>year 1972-73.'Analyse it and give reasons for the nature of workforce distribution.</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Place of Residence</th><th colspan="3" style="text-align: center;">Workforce (in millions)</th></tr> <tr> <th></th><th style="text-align: center;">Male</th><th style="text-align: center;">Female</th><th style="text-align: center;">Total</th></tr> </thead> <tbody> <tr> <td style="text-align: center;">Rural</td><td style="text-align: center;">125</td><td style="text-align: center;">70</td><td style="text-align: center;">195</td></tr> <tr> <td style="text-align: center;">Urban</td><td style="text-align: center;">32</td><td style="text-align: center;">7</td><td style="text-align: center;">39</td></tr> </tbody> </table> <p style="text-align: center;"><b>OR</b></p> <p>Answer both (i) and (ii)</p> <p class="list-item-l1">iii. Discuss the pattern of commercial energy consumption in India</p> <p class="list-item-l1">iv. Healthcare in India suffers from 'urban-rural and poor-rich divide'. Explain how.</p>	Place of Residence	Workforce (in millions)				Male	Female	Total	Rural	125	70	195	Urban	32	7	39	
Place of Residence	Workforce (in millions)																	
	Male	Female	Total															
Rural	125	70	195															
Urban	32	7	39															
231.	Critically evaluate the role of the rural banking system in the process of rural development in India.	6																

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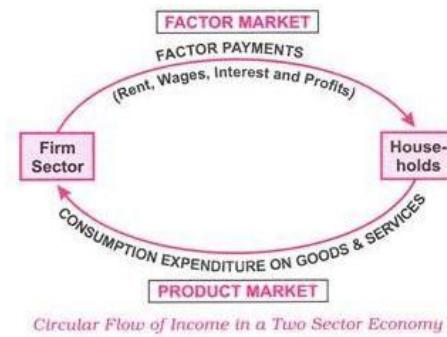
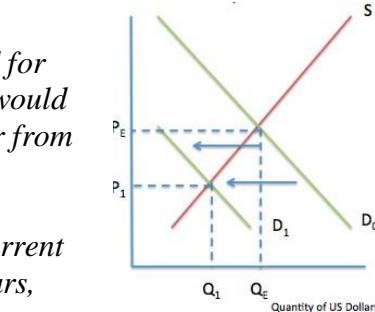
## EEE PRE-BOARD EXAMINATION (2019-2020) SET 2 ANSWER KEY

<b>Subject: Economics</b>	<b>Max.</b>									
<b>Grade: 12</b>	<b>T</b>									
<b>Name:</b>	<b>Section:</b>	<b>Roll No:</b>								
<b>General Instructions:</b>										
<ul style="list-style-type: none"> <li><i>This question paper consists of 4 printed pages.</i></li> <li><i>All answers to be written in the answer sheet provided.</i></li> </ul>										
<b>SECTION A: MACRO ECONOMICS</b>										
232.	Ans: a	1								
233.	Ans: Repo rate is rate at which RBI lends short term funds to banks, and reverse repo rate is the rate at which banks park excess liquidity with RBI. If repo rate is 8%, reverse repo rate will be 7.5 (or student gives any value less than 8%)	1								
234.	Ans:d	1								
235.	Ans: False. If MPC is greater than only 0.8 will this statement be true. For values of MPC between 0.5 and 0.8, value of investment multiplier is less than 5	1								
236.	Ans: As income increases, consumption increases but less than increase in income, <i>implying MPC is always less than 1</i>	1								
237.	Ans a	1								
238.	Ans: b	1								
239.	Ans :FD=75000 because FD = borrowings	1								
240.	Ans:Accommodating transactions. To correct deficit or surplus in the overall BOP	1								
241.	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;"><i>Appreciation of Currency</i></td><td style="padding: 5px;"><i>Revaluation of currency</i></td></tr> <tr> <td style="padding: 5px;"><i>Increase in value of domestic currency in terms of another foreign currency</i></td><td style="padding: 5px;"><i>When the government or monetary authority of a country officially raises the value of its currency</i></td></tr> <tr> <td style="padding: 5px;"><i>Depends upon market forces of demand and supply of currency concerned</i></td><td style="padding: 5px;"><i>Depends upon government order</i></td></tr> <tr> <td style="padding: 5px;"><i>Occurs in Flexible exchange rate</i></td><td style="padding: 5px;"><i>Occurs under fixed exchange rate</i></td></tr> </table>		<i>Appreciation of Currency</i>	<i>Revaluation of currency</i>	<i>Increase in value of domestic currency in terms of another foreign currency</i>	<i>When the government or monetary authority of a country officially raises the value of its currency</i>	<i>Depends upon market forces of demand and supply of currency concerned</i>	<i>Depends upon government order</i>	<i>Occurs in Flexible exchange rate</i>	<i>Occurs under fixed exchange rate</i>
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242.	<ul style="list-style-type: none"> <li>Income from sale of Second hand not included</li> <li>Capital gains/ capital from sale of shares not included</li> <li>Transfer Income not included</li> </ul>	3								

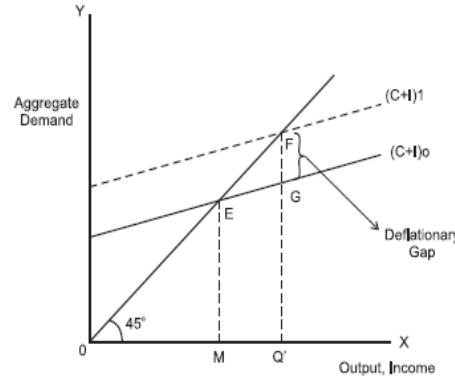
243.	<p>Ans:</p> <p>Suppose planned saving is higher than planned investment. It means that households are not consuming as much as the firms had anticipated. In other words, planned output is greater than planned demand. As a result, producers see a rise in their inventory level, beyond the planned level. To bring back inventory to the planned level, producers cut down production. This reduces aggregate output. The process continues till aggregate demand equals the output produced in the economy i.e. planned investment becomes equal to planned saving. ( 2 marks).</p> <p>Diag/ Schedule (1 mark)</p> <p>OR</p> <p><math>MPC=0.6</math> and <math>MPS = 0.4</math></p> <p><math>Y=200+0.6Y+1000</math>. Equilibrium level of income=Rs 3000 ( 1 mark)</p> <p>Breakeven level of income: <math>Y=200+0.6Y = \text{Rs}500</math> (1 mark)</p> <p><math>\Delta I=4000</math>; <math>\Delta Y=(1/0.4)*4000 = \text{Rs}10,000</math>.</p> <p>New equilibrium level of income is Rs 13,000 (1 mark)</p>	3
244.	<p>Ans: Money creation is a process in which a commercial bank creates total deposits many times the initial deposits.</p> <p>Assumption: Banking system is one unit and there are no cash transactions</p> <p>The capacity of commercial bank to create depends on two factors:</p> <ol style="list-style-type: none"> <li>1. Amount of initial fresh deposit</li> <li>2. Legal reserve ratio LRR Money multiplier = 1 LRR Money Creation = Initial Deposit × Money multiplier</li> </ol> <p>The Working: Suppose (i) Initial Deposit = Rs. 1000 (ii) LRR = 20% As required, the bank keeps 20% ie Rs. 200 as cash reserve and lend the remaining Rs. 800. Those who borrow use the money for making payments. As assumed those who receive these payments put the money back into their bank accounts. This creates a fresh deposit of Rs. 800. The bank again keep 20% ie Rs. 160 and lend Rs. 640. In this way the money goes on multiplying leading to total money creation of Rs. 5000.</p> <p>Money creation = Initial Deposit × 1 LRR</p> <p>(Definition+assumptions-1 mark, table – 1 mark, explanation 1 mark, formula + money created-1 mark)</p>	4
245.	<p>a. No, fiscal deficits are not necessarily inflationary. They reflect the government's borrowing for a financial year. If borrowing is in a period of deficient demand, and is on productive assets, then greater money supply (and greater demand) will be matched by greater output. However, if borrowing is in a full employment economy, and its used to finance unproductive expenditure, then borrowing will be inflationary</p> <p>b. Objective is to reduce income inequality – through taxing rich and redistributing it to poor; This will reduce income of rich and raise std of living of poor thus reducing income inequality between rich and poor</p>	4



246.	<p>Due to depreciation of the rupee, imports get more expensive as one dollar of imports now costs more in the domestic market. Hence imports fall      Also, depreciation will make exports cheaper in the international market as US can now buy more of Indian goods. Hence exports increase      Impact on Balance of Trade – Since <math>BOT = X - M</math>, so as exports increase and imports decrease, BOT should improve. <i>However, in the case of India, our elasticity of imports is not high, due to high oil imports.</i></p> <p><b>OR</b></p> <ol style="list-style-type: none"> <li><i>Outflow of dollars would decrease and so demand for dollar curve would shift to the left to <math>D_1 D_1</math>. This would lead to an appreciation of rupee against the dollar from <math>R_0</math> to <math>R_1</math></i></li> <li><i>They would be recorded on the debit side of the current account. Debit side because its an outflow of dollars, and current account because its imports of goods</i></li> </ol>	4
247.	<p>Ans:</p> <p>VA by A: (iv)+(vii-vi)-i-iii=120+30-45-40-60=5 lakh (1.5 marks)</p> <p>VA by B = ii+(x-iv)-xi = 100+30-40-60 (1.5 marks)</p> <p>b.i Included. Its FIFA</p> <p>ii Not included. Its factor income</p> <p>iii. Not included. Its FITA  <i>( 3 marks. No marks if reasoning is not given)</i></p> <p><b>OR</b></p> <p>Circular flow of income refers to the unending flow of activities such as production, income generation and expenditure involved in all the sectors of the economy.</p> <p>In a simple economy, there are firms and household sectors economic activity. People from households render factor services to firms and firms hire factor services from households. Households spend their earned income completely on consumption. Products which are produced by firms are sold to consumers.</p> <p>Total production of goods and services by firms = Consumption of goods and services by households</p> <p>Factor payments by firms = Factor incomes of the HH</p> <p>Consumption expenditure of HH = Income of the household sector</p> <p>Money flows are opposite to real flows because factor services flows from households to firms are real flows and the factor payments made by firms to households are money flows.</p> <p><i>I mark diag + 2 marks explanation</i></p> <p><i>b) <math>GDP_{mp} = i + vi - iv = 3500 + 250 - 1650 = 2100</math></i></p>	6



	$GDP_{mp} = viii + ix + x + iii + v + vi + ii - imports = 2100 = 550 + 250 + 200 + 150 + 100 + 250 + 800 - imports$ Imports = Rs 200cr	
248.	<p>An economy is in equilibrium when aggregate demand is equal to aggregate supply. If aggregate demand is only sufficient to support a level of aggregate supply at less than full employment, then the economy is in under full employment equilibrium. This pulls the economy to depression causing Deflationary Gap. Meaning of deflationary gap. (2 marks) Diag – 1 mark</p> <p>Monetary measures: Reduce LRR with explanation (1 mark); Reduce Bank rate with explanation ( 1 mark); Increase Open Market Operations with explanation 1 mark</p>	6
<b>SECTION B: INDIAN ECONOMIC DEVELOPMENT</b>		
249.	Ans: 1950	1
250.	Ans: to get raw material from india at cheap rates and to sell finished British products in the Indian market at high prices	1
251.	<p>Ans:</p> <p>Protection of domestic industry and economizing foreign exchange</p> <p>OR</p> <p>Industries(Development and Regulation)Act, 1956. Govt issued licenses for setting up and expansion of industries, and diversification of products</p>	1
252.	Ans: d	1
253.	Ans: a	1
254.	Ans: c	1
255.	Ans: Casualisation occurs when workers move from regular salaried jobs to work as casual labourers. 30% of workforce is casual workers	1
256.	Ans: The Montreal Protocol bans the use of chlorofluorocarbon (CFC) compounds, as well as other ozone depleting chemicals such as carbon tetrachloride, trichloroethane (also known as methyl chloroform), and bromine compounds known as halons.	1
257.	Ans:c	1
258.	Ans: People cultivate land collectively. It was started in China	1
259.	<p>Ans. Expenditure on education is an important source of capital formation. Education is an important source of human capital formation because:</p> <ul style="list-style-type: none"> <li>(a) It generates technical skills and creates a manpower which is suited for improving labour productivity. It thus, results in sustained economic development.</li> <li>(b) It tends to bring down birth rate which, in turn, brings decline in population growth rate. It makes more resources available per person.</li> <li>(c) It results in social benefits since it spreads to others who may not be skilled. Thus, investment in education leads to higher returns in future</li> </ul>	3



260.	<p>Ans: Sustainable development is development that meets the need of the present generation without compromising the ability of the future generation to meet their own needs'.. (1 mark)</p> <p>Strategies for sustainable development are (relevant explanation to be given) – i. Use of Non-conventional Sources of Energy (like LPG and Gobar Gas), Mini Hydel Plants, Mini-hydel plants use the energy of such streams to move small turbines. The turbines generate electricity which can be used locally. Such power plants are more or less environment-friendly as they do not change the land use pattern in areas where they are located; they generate enough power to meet local demands, etc or any other strategy given in NCERT book. 1 mark definition, 2 marks for two strategies)</p> <p>Input efficient technology; ii use of environment friendly sources of energy; iii integrated rural development; iv. Conversion of sunlight into solar energy; v. shift to organic farming; vi. Recycle waste; etc (5 points with explanation, 1 mark each)</p> <p><b>OR</b></p> <p>In order to alleviate poverty, government has adopted the following three dimensional approaches:</p> <p><b>Trickle-down Approach:</b> This approach is based on the expectation that the positive effects of economic growth will be trickled down or benefit all sections of the society and also the poor people.</p> <p><b>Poverty Alleviation Approach:</b> This approach aimed at the creation of income-earning assets and employment generation opportunities.</p> <p><b>Providing Basic Amenities:</b> This approach aimed at providing the basic amenities like proper medical and health care facilities, better education, proper sanitation etc. to the poor people. These basic amenities positively affect health, productivity, income-earning</p>	3
261.	<p>Ans. (a) Growth of Information Technology: Due to growth of fast modes of communication many of the services such as voice-based business processes (popularly known as BPO or call centres), record keeping, accountancy, banking services, music recording, film editing, book transcription, clinical advice or even teaching are being outsourced by companies in developed countries to India.</p> <p>(b) Digitisation: With the help of modern telecommunication links including the Internet, the text, voice and visual data in respect of these services is digitised and transmitted in real time over continents and national boundaries.</p> <p>(c) Low Wage Rate: Wage rates in India are relatively much lower as compared to the developed world. Most multinational corporations, and even small companies, are outsourcing their services to India where they can be availed at a cheaper cost with reasonable degree of skill and accuracy.</p> <p>(d) Skilled Manpower: Large number of young and educated people fluent in English is gradually transforming India as an important 'back office' destination for the global outsourcing of customer services and technical support.</p>	4
262.	<p>Ans. The post-reform period shows that industrial growth has slowed down. This was due to:</p> <p>(i) Lack of Infrastructure: There was inadequate investment in infrastructural facilities such as power supply.</p>	4

	<p>(ii) Decrease in demand of domestic products: Globalisation led to decrease in demand for domestic industrial products due to cheaper imports. In a globalised world, developing countries are compelled to open up their economies to greater flow of goods and capital from developed countries and rendering their industries vulnerable to imported goods.</p> <p>(iii) Hampering growth of local industries: Globalisation is, thus, often seen as creating conditions for the free movement of goods and services from foreign countries that adversely affect the local industries and employment opportunities in developing countries.</p> <p>(iv) Inaccessibility of foreign markets: A developing country like India still does not have the access to developed countries' markets because of high non-tariff barriers. For example, although all quota restrictions on exports of textiles and clothing have been removed in India, USA has not removed their quota restriction on import of textiles from India and China.</p> <p><b>OR</b></p> <p><b>The achievements of India's industrial sector</b> during the first seven plans are impressive. The proportion of GDP contributed by the industrial sector increased in the period from 11.8 per cent in 1950-51 to 24.6 per cent in 1990-91.</p> <p>Industrial growth rate was six per cent pa.</p> <p>Indian industry no longer restricted to cotton textiles and jute; the industrial sector became well diversified by 1990, largely due to the public sector.</p> <p>The promotion of small-scale industries gave opportunities to those people who did not have the capital to start large firms to get into business.</p> <p>Protection from foreign competition enabled the development of indigenous industries in the areas of electronics and automobile sectors which otherwise could not have developed.</p>	
263.	<p><b>China</b> introduced its reforms in 1978, to increase pace of growth and industrialize the nation. The planners felt that economic model under the Maoist rule, of decentralisation, self-sufficiency and shunning of foreign technology, goods and capital, had failed. Despite extensive land reforms, collectivisation, the Great Leap Forward and other initiatives, the per capita grain output had not increased.</p> <p>Before the introduction of reforms, there had already been massive extension of basic health services in rural areas. Through the commune system, there was more equitable distribution of food grains. Each reform measure was first implemented at a smaller level and then extended on a massive scale. For instance, when agricultural reforms, where plots of land were handed over to individuals for cultivation, It created conditions for the subsequent phenomenal growth in rural industries and built up a strong support base for more reforms.</p> <p>However, there is lack of political freedom and poor human rights in China.</p> <p><b>In Pakistan</b>, the reform process led to worsening of all the economic indicators. As compared to 1980s, the growth rate of GDP and its sectoral constituents have fallen in the 1990s.</p> <p>Pakistan is showing a rising trend of poverty there. The proportion of poor in 1960s was more than 40 per cent which declined to 25 per cent in 1980s and started rising again in 1990s. The reasons for the slow-down of growth and re-emergence of poverty in are Pakistan's economy, are agricultural growth and food supply situation were based not on an institutionalised process of technical change but on good harvest due to good rainfall.</p>	4

	<p>In Pakistan most foreign exchange earnings came from remittances from Pakistani workers in the Middle-east, leading to growing dependence on foreign loans. However, during the last few years, Pakistan has recovered its economic growth and has been sustaining. In 2015-16, the Annual Plan 2016-17 reports that, the GDP registered a growth of 4.7 per cent, highest when compared to the previous eight years. Industrial and service sectors grew at 6.8 and 5.7 per cent respectively.</p> <p>(2 marks for China and 2 marks for Pakistan)</p>	
264.	<p><b>Ans:</b> a. Female workers give preference to self-employment than to hired employment. Because:</p> <ul style="list-style-type: none"> <li>(i) Owing to family and social constraints, mobility of women workers in search of jobs is less compared to that of men workers. They prefer to work at their place of residence even for a low wage.</li> <li>(ii) Women in rural areas find ample opportunities of self-employment, engaging themselves in traditional jobs like spinning, weaving, dyeing and bleaching</li> </ul> <p>b)</p> <ul style="list-style-type: none"> <li>• In 1972-73, out of total workforce of 234 million, 195 million was in rural areas and 39 million in urban areas. It shows 83% workforce lived in rural areas. Gender differences were also observed.</li> <li>• In rural areas, males accounted for 125 million workforce and women 70 million of workforce. In urban areas, 32 million males formed the workforce whereas women, workforce was only 7 million. In the country only 77 million female workers were there as compared to 157 million male workers. In other words, 32% of female workers were there and 68% male workers were there in the country in 1972-73.</li> <li>• The data reveal Pre-dominance of agriculture, More male workers both in urban and rural areas, Less female workers in both rural and urban areas. Also, female workers were much lesser in urban areas.</li> </ul> <p style="text-align: center;"><b>OR</b></p> <ul style="list-style-type: none"> <li>• Ans: (i)</li> <li>• In India, commercial energy consumption makes up about 74 per cent of the total energy consumed in India. This includes coal with the largest share of 54 per cent, followed by oil at 32 per cent, natural gas at 10 per cent and hydro energy at 2 per cent.</li> <li>• India is very dependent on imports of crude and petroleum for its energy needs</li> <li>• The transport sector was the largest consumer of commercial energy in 1953-54.</li> <li>• However, there has been continuous fall in the share of the transport sector while the shares of the household, agriculture and industrial sector have been increasing.</li> <li>• The share of oil and gas is the highest among all commercial energy consumption.</li>   <li>(ii)</li> <li>• Health infrastructure is significantly biased in favour of the rich and favour of the urban areas.</li> <li>• While 70 per cent of the country's population lives in rural areas, 80 per cent of the</li> </ul>	6

	<p>hospitals are located in urban areas.</p> <ul style="list-style-type: none"> <li>• Percentage of population having access to proper medical care is just about 25 per cent and access to specialized medical care is almost nil</li> <li>• Rich spend only 2 per cent of their income on healthcare, the poor are to spend as much as 12 per cent of their income on healthcare.</li> <li>• All this implies that health infrastructure is heavily biased against the poor</li> </ul>	
265.	<p><b>Ans. Rural Banking – A Critical Evaluation</b></p> <p>Since 1969, when the nationalisation of commercial banks took place, rural banking has expanded a great deal.</p> <p>Significant expansion of rural banking system played a positive role in:</p> <ul style="list-style-type: none"> <li>(a) Raising <b>farm</b> and <b>non-farm output</b> by providing services and credit facilities to farmers.</li> <li>(b) Providing long-term loans with better repayment options. It, thus <b>helped in eliminating</b> moneylender from the scene.</li> <li>(c) Generating credit for <b>self-employment</b> schemes in rural areas.</li> <li>(e) Famines became events of the past; we have now achieved food security which is reflected in the abundant buffer stocks of grains.</li> </ul> <p><b>Limitations of Rural Banking</b></p> <ul style="list-style-type: none"> <li>(a) Banking credit or institutional credit is linked with a <b>collateral</b>, because of which small and marginal holders are not able to utilise it.</li> <li>(b) The government has often been <b>very lenient on the recovery of loans</b> from the farmers because of which there has been large number of overdue instalments.</li> <li>(c) Apart from commercial banks most financial institutions have <b>failed to develop</b> a culture of thrift among the farming families. Mobilisation of deposits has never been encouraged.</li> </ul>	6

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*Economics 12 Academic Window*



### HALF YEARLY EXAMINATION (2020-21)

**Subject:** ECONOMICS

**Max. Marks: 80**

**Grade:** XII

**Time: 3 Hrs**

**Name:**

**Section:**

**Roll No:**

**General Instructions:**

- This question paper consists of 4 printed pages.
- All answers to be written in the answer sheet.

#### Section A-Macro Economics

**(40marks)**

- |  |  |
|--|--|
| Which of the following is not included in the inventory investment?  | 1  |
| 1. a. Stock of finished goods<br>c. Consumer goods sold to the house hold during the accounting year   | b. Stock of semi-finished goods<br>d. Stock of raw materials                 |
| 2. Compensation in kind can be   | 1  |
| a. Overtime allowance<br>c. House Rent   | b. Dearness allowance<br>d. None of the above                                |
| 3. <b>True or False? Give reason</b>   | 1  |
| Sum of average propensity to consume and marginal propensity to consume is always equal.   |  |
| 4. Investment which changes as the level of income changes in the economy is called:   | 1  |
| a. Autonomous investment<br>c. Independent investment  | b. Induced investment<br>d. Both A & C                                       |
| 5. If disposable income is Rs1000 and saving is Rs 250. Find APC.  | 1  |
| a. 75%<br>c. 25%   | b. 20%<br>d. 35%   |
| 6. -----is a revenue receipt of the government.  | 1  |
| a. Funds raised by the government by issuing National Saving Certificates  | b. Sale of 40% shares of a public sector undertaking to a private enterprise |
| c. Profits of LIC, a public enterprise   | d. Amount borrowed from Japan for construction of Bullet Train.              |
| 7. The value of Fixed capital good is Rs15 lakhs and the life span of the capital good is 5 years. Find the annual depreciation of the capital good? | 1  |

**OR**

- What is the role of households in a two sector economy?
8. Answer in brief: 1
- (a) When will GDP of an economy be equal to GNP?  
 (b) When is value of output equal to value added?

9. Diagrammatically show the following condition. (only diagram) 1  
 APC = 1 and APS = 0

10. Calculate Fiscal deficit: 1

Items	Rs in crores
Revenue deficit-	8,800
Interest payment	1600
Primary deficit	10,000

11. Categorize the following items into Revenue and Capital Expenditure 3  
 (a) Defense capital equipment's purchased from Germany.  
 (b) Grants given by central government to state government.  
 (c) 10% shares purchased by the government in a private company.

12. Suggest some measures to reduce budget deficit. 3

**OR**

Explain how the allocation of resources can be influenced in the government budget through taxes, expenditure and subsidies.

13. Calculate the value added by Firm A and Firm B from the following data: – 4

S.No	Items	Rs in crores
(i)	Purchase by Firm A from the rest of the world	40
(ii)	Sales by Firm B	100
(iii)	Purchases by Firm A from Firm B	60
(iv)	Sales by Firm A	120
(v)	Exports by Firm A	40
(vi)	Opening stock of Firm A	45
(vii)	Closing stock of Firm A	30
(viii)	Opening stock of Firm B	40
(ix)	Closing stock of Firm B	30
(x)	Purchases by Firm B from Firm A	60

**OR**

Will the following be included in National Income? Give reasons for each answer.

- 1) Government expenditure on street lighting.
  - 2) Interest received by a household from a commercial bank.
  - 3) Receipts from sale of land.
  - 4) Interest on public debt.
14. (i) The savings function of an economy is  $S = -200 + 0.25Y$ . The economy is in equilibrium when income is equal to 2,000. Calculate: 4  
 (a) Investment expenditure at equilibrium level of income.  
 (b) Autonomous consumption.

## Economics 12 Academic Window

- (c) Investment multiplier.  
(ii) The value of marginal propensity to save can never be negative. True or False? Give reason.
15. Write True or False with reason: 4

- a) Capital expenditure reduces capital stock of the government.
- b) Expenditure on law and order is a component of development expenditure.
- c) Loans offered by the central government to the state government are to be treated as capital expenditure of the central government.
- d) Sales tax is a direct tax.

16. Calculate NNP<sub>MP</sub> by (a) Income method (b) Expenditure method:

Personal consumption expenditure	700
Wages and salaries	680
Rent	40
Subsidies	10
Indirect taxes	20
Gross public investment	40
Gross business fixed investment	60
Gross residential construction investment	60
Social security contribution by employers	100
Royalty	20
Net factor income from abroad	(-)10
Interest	40
Consumption of fixed capital	10
Profit	100
Exports	40
Inventory Investment	20
Government purchases of goods and services	200
Imports	20
Mixed income of self employed	100

17. What changes will take place to bring an economy in equilibrium if:  
a) planned savings are greater than planned investment  
b) planned savings are less than planned investment

**OR**

Does equilibrium beyond 'full employment' imply a higher level of output compared to 'employment equilibrium'?

### **SECTION B: INDIAN ECONOMIC DEVELOPMENT (40marks)**

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

Assertion (A): The major policy initiatives i.e. land reforms and green revolution helped to become self-sufficient in food grains production.

## Economics 12 Academic Window

Reason (R): The proportion of people depending on agriculture did not decline as expected

- 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. Economic and Social infrastructure are complementary to each other. Economic infrastructure raises the ----- (production/productivity) and Social infrastructure raises the ----- (production/productivity). 1

Select the correct alternative.

20. 'Indian Railways' IRCTC next on government's disinvestment agenda 1

After rolling out plans for running private trains, the government is planning to sell stake in Indian Railways' ticket booking and catering services company IRCTC, as per reports' Give a valid Reason(R) for the Assertion(A)

21. Unemployment arising from economic fluctuation is called 1

- a. Frictional unemployment
- b. Disguised unemployment
- c. Cyclical unemployment
- d. Urban unemployment

22. India's share in world export is ----% and share in world import is ----%. 1

23. Global burden of disease as an indicator is used to assess: 1

- a. The quantity of life lived by the people
- b. the quality of life lived by the people
- c. both the quantity and quality of life lived by the people
- d. none of these

24. State one difference between Tariff and Non-Tariff barriers. 1

**OR**

State one difference between Bilateral and Multilateral trade agreement.

25. \_\_\_\_\_ an indicator which is used for analyzing the employment situation of a country. 1

26. Why India is emerging as an important destination of outsourcing? State 2 reasons. 1

27. A year after independence the policy of "land to the tiller" was adopted. What was the motive behind this move? 1

28. Does modernization as a planning objective create contradiction in the light of employment generation? Explain 3

29. Analyse the trends in rural-urban poverty. 3

**OR**

Elucidate any 3 causes of Poverty.

30. (a) The purpose of Licensing policy was to promote regional equality.' Explain how it was achieved? 4

(b) What was the rationale behind the import substitution strategy?

31. 'The state played an extensive role in ensuring that the small farmers also gained from the new technology.' 4

(a) In view of the above statement explain how the state protected the poor farmers during green revolution.

(b) How did the green revolution help low income group?

32. 'In spite of the increase in public health expenditure Indian Health System is an ailing system in itself'. Defend the statement citing major problems of Health sector in India. 4

**OR**

Analysis the state of rural infrastructure in India?

*Economics 12 Academic Window*

33. For a country like India, the NEP was a mixed blessing.” Considering the above statement, write a critical assessment of the NEP policies followed by the Government of India in the aftermath of the economic crisis of 1990-91 6

**OR**

Evaluate the Fiscal and Financial reforms introduced under new economic policy.

34. (a) Analyse the recent trends in sectoral distribution of workforce in India. 6  
(b) Why are less women found in regular salaried employment?

**HALF YEARLY EXAMINATION (2020-21)****Subject: ECONOMICS (Answer Key)****Grade: XII****Marks: 80****Macro - Section A**

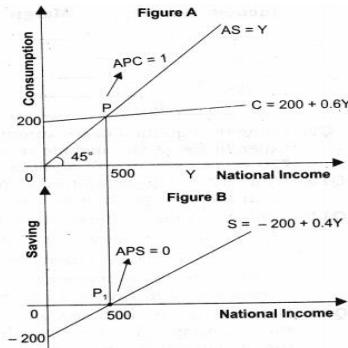
1. c.
2. c.
3. **False.** The value of APC has no relationship with MPC. Either  $APC + APS = 1$  or  $MPC + MPS = 1$ .
4. b.
5. a.
6. c.
7. Annual depreciation of the capital good = value of the fixed asset / life span.  $15/5 = \text{Rs } 3$

**OR**

The household play dual role in two sector economy:

- (a) HH provide factor services to the firms
  - (b) They spend their income on goods and services produced by firms.
- (1/2+1/2=1)**

8. (a) GDP and GNP will be equal when the 'net factor income from abroad' is zero.
  - (b) Value of output is equal to value added if there are no intermediate costs
- 9.

**(1)**

10. Fiscal Deficit = PD + IP.  $FD = \text{Rs } 10,000 + \text{Rs } 1600 = \text{Rs } 11,600 \text{ crores}$   
**(1mrk)**
11. Capital, Revenue , Capital  
**(1mark each with reason)**

12. The deficit in a government budget can be reduced by the following step:
- 1) Taxes should be increased. Government can make a plan for rising direct taxes to increase its receipt. It can also be raised by increasing rates of taxes or by imposing new taxes. Direct taxes are more productive because its cost of collection is quite lower.
  - 2) Reduction in Government Expenditures: It can be done through making government activities more efficient through better planning of programmes and better administration.
  - 3) Disinvestment – The government can raise its receipts through the sale of shares in PSUs (Public Sector Undertaking).

**(1x3=3marks. Students can give any other relevant reason)**

**OR**

Equitable distribution of income and wealth is a sign of social justice which is the principal objective of any welfare state as in India. The government uses budgetary instruments of taxation and subsidies with a view to improving the distribution of income and wealth in the economy. Distribution of income is impacted largely by way of 'progressive taxation policy'. It implies greater tax burden on the rich and lesser on the poor. In fact, those with very low incomes are exempted from the payment of the tax. Those who are absolutely poor are offered goods through Public Distribution System at the subsidised rates. **(3marks)**

Value Added by Firm A = (iv) + [(vii) – (vi)] – (i) – (iii)

$$= 120 + [30 - 45] - 40 - 60 \\ = \text{Rs } 5 \text{ Lakhs.}$$

**(2marks)**

Value Added by Firm B = (ii) + [(ix) – (viii)] – (x)

$$= 100 + [30 - 40] - 60 \\ = \text{Rs } 30 \text{ Lakhs.}$$

**(2marks)**

**OR**

- 1) Yes, It is a part of Government final consumption expenditure and it adds to flow of services.
- 2) Yes, as it is payment for use of capital.
- 3) No, as it does not add to flow of goods & services or capital gain.
- 4) It should not be included in NI because public debt is a loan taken on to meet consumption expenditure by the government.

**(1x4=4marks)**

Equilibrium level of income is 2,000. Substituting the value of Y in

14. the savings function, we get;

$$S = -200 + 0.25 \times 2000$$

$$S = 300$$

$$I = 300$$

Thus, investment expenditure at equilibrium level of income is 300.

**(1mark)**

Consumption + Savings = Income

Autonomous consumption means the level of consumption expenditure when income is zero.

When  $y = 0$ , Saving = -200

So autonomous consumption = 200

**(1mark)**

Investment multiplier =  $1/MPS$

From the savings function, we know that  $MPS = 0.25$

Investment multiplier =  $1/0.25 = 4$

(1 mark)

(b) True, change can never be negative.

(1mark)

15. a) False, if incurred on the creation of assets, capital expenditure increases capital stock of the government.

4

- b) False, it is non-development expenditure because it does not directly add to the flow of goods and services in the economy.
- c) True, because it creates assets for the central government.
- d) False, it is an indirect tax because its burden can be shifted on to the other person.

(1x4=4marks)

16. Income Method:

$$W\&S + \text{Rent} + SSS + \text{Royalty} + \text{Profit} + \text{Interest} + MI + NFIA + NIT = \text{Rs}1080 \text{ lakhs}$$

Expenditure Method:

$$PCE + GBFI + GPI + GRI + \text{Inventory investment} + \text{Govt. purchases} + X - M + NFIA - CFC = \text{Rs}1080$$

(3 marks each-- 1 marks for formula, 1.5 marks for working &  $\frac{1}{2}$  mark for final answer)

6

Economy is in equilibrium when  $S = I$ . Disequilibrium situation arises either when  $S < I$  or when

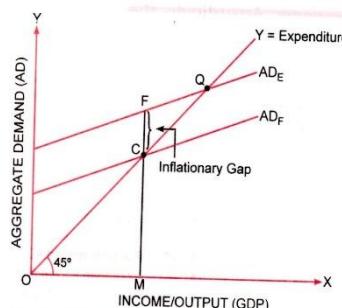
6

17.  $S > I$ . Planned savings are greater than planned investment: If  $S > I$  overall expenditure in the economy would remain lower than what is required to buy the planned output. Some output would remain unsold, producers will have undesired stocks. To clear the stock producers will now plan lesser output in the next time period, this means lesser employment, income & savings in the economy. The process continues till  $S = I$ . Planned savings are less than planned investment: consequences and diagram

(2+2 marks for explanation.2 for diagram with explanation)

OR

Inflationary Gap is the excess of AD over and above its level required to maintain full employment equilibrium in the economy. Inflationary Gap is measured as the difference between AD beyond full employment and AD at full employment. Inflationary Gap is a measure of excess demand



Inflationary gap =  $AD_E - AD_F = CF$ . This is equal to excess demand.

$AD_E$ : AD beyond full employment,  $AD_F$ : AD at full employment,  $OM^*$  = full level of employment  $CF$  = inflationary gap. Point C shows full employment equilibrium level of output. AD beyond full employment cannot generate more output, it causes a pressure on the existing output. Consequently, prices will tend to rise. The economy faces a situation of inflation. Situation of excess demand is described as a situation of inflationary gap in the economy.

(2marks for explanation &amp; 1mark for diagram)

**Indian Economics - Section B**

- |  |   |
|--|---|
| 18. b.   | 1 |
| 19. Production, productivity.  | 1 |
| 20. Disinvestment is an excellent tool for discarding the loss incurring Public Sector Enterprises   | 1 |
| 21. c  | 1 |
| 22. India's share in world export is <b>2 %</b> and share in world import is <b>greater than 2%.</b> | 1 |
| 23. c  | 1 |
| Tariff are a tax on imported goods- discourage their use. Non- tariffs are Quota barriers specify    |   |
| 24. the quantity of goods that can be imported.  | 1 |

**OR**

Bilateral trade agreement is between 2 countries and Multilateral trade agreement between more than 2 countries.

- |  |   |
|--|---|
| 25. Work force participation rate  | 1 |
| 26. (i) Availability of cheap labour (ii) growth of IT industry in India.  | 1 |
| 27. Ownership of land would give more incentive and increase output.   | 1 |
| 28. No, modernisation as a planning objective does not contradict employment generation. In fact, both modernisation and employment generation are positively correlated in the long-run.<br>Modernisation refers to the use of new and modern technology in the production process.<br><u>For example</u> , a farmer can increase the output on the farm by using new seed varieties instead of using the old ones ( <b>or</b> any other example) | 3 |

The use of modern technology and input will raise productivity and consequently the income of the people, that will further raise the demand for goods and services. In order to fulfil this increased demand, more production output will be required and there will be more job opportunities, that will lead to higher employment in the economy. Even in the short run, modernisation leads to the creation of employment opportunities for skilled workers. If proper training and vocational education are provided, it will lead to better employment in terms of quality of work and earnings. The concept of modernisation is never contradictory to the employment generation activities, rather it has always worked towards changing the thinking of the people and society at large.

Hence, both modernisation and employment generation are not contradictory but are complementary to each other.

- |     |   |   |
|-----|---|---|
| 29. | <ol style="list-style-type: none"> <li>1. In the 1990s, the absolute number of poor in rural areas had declined whereas the number of their urban counterparts increased marginally.</li> <li>2. The decline in poverty was comparatively much steep in rural areas where the percentage of people living below poverty line fell to about 25.7% in 2011-12 from 21.8 per cent (2004-05) and 56.4 in 1973-74. In urban areas, percentage of people living below poverty line fell from 49% to 21.7 per cent (2004-05) to 13.7 per cent (2011-12).</li> <li>3. The poverty ratio declined continuously for both urban and rural areas. The ratio is declining much slower than the absolute number of poor in the country. Also the gap between the absolute number of poor in rural and urban areas got reduced whereas in the case of ratio the gap has remained the same</li> </ol> | 3 |
|-----|---|---|

This was because as people migrate from rural to urban areas, the poverty in rural areas seem to dip substantially, though the decline is more gradual in urban areas.

**( 1\*3=3 )**

**OR**

Major reasons for poverty in India are :

- (i) The low level of economic development under the British colonial administration. The policies of the colonial government ruined traditional handicrafts and discouraged the development of industries like textiles. The low rate of growth persisted until the 1980s. This resulted in fewer job opportunities and a low growth rate of incomes. This was accompanied by a high growth rate of the population. The two combined to make the growth rate of per capita income very low.
- (ii) Lack of job opportunities: Lack of job opportunities compelled many people to work as rickshaw pullers, vendors, construction workers, domestic servants, etc. With irregular small incomes, these people could not afford expensive housing. They started living in slums on the outskirts of the cities.
- (iii) Huge income inequalities: One of the major reasons for this is the unequal distribution of land and other resources. Major policy initiatives like land reforms that aimed at the redistribution of assets in rural areas have not been implemented properly by most of the state governments.
- (iv) Lack of land resources has been one of the major causes of poverty in India.
- (v) A high level of indebtedness among small farmers is also a major cause of poverty in our country. Since poor farmers hardly have any savings, they borrow. Unable to repay because of poverty, they become victims of indebtedness.

**(1\*3=3 marks)**

30 (a)

- 1.No new industry was allowed unless a license was obtained from the government. This policy was used for promoting industry in backward regions. It was easier to obtain a license if the industrial unit was established in an economically backward area.
- 2. In addition, such units were given certain concessions such as tax benefits and electricity at a lower tariff. The purpose of this policy was to promote regional equality.

**(2 marks)**

(b)

The rationale of the import substitution strategy is based on infant industry argument. It helped to save foreign exchange by drastically reducing import of goods. The foreign exchange saved was to be used for the developmental imports such as capital goods, sophisticated technology, etc. It created a protected market and large demand for domestically produced goods.

**(2 marks)**

31. (a)

- 1)The government provided loans at a low interest rate to small farmers and subsidized fertilizers so that small farmers could also have access to the needed inputs.
- 2) Since the small farmers could obtain the required inputs, the output on small farms equaled the output on large farms in the course of time.
- 3)The risk of the small farmers being ruined when pests attack their crops was considerably reduced by the services rendered by research institutes established by the government. The green revolution would have favoured the rich farmers only if the state did not play an extensive role in ensuring that the small farmer also gains from the new technology.

**(3marks)**

(b)

Due to Marketed surplus the prices of food grains declined relative to other items of consumption the low-income groups benefited from this decline.

**(1mark)**

32. The health system in India has undoubtedly improved over the years but the pace of improvement has been unreasonably slow and truly we carry an unhealthy health system.

Following may be the most important concerns ailing Indian health system:

Low Public Expenditure – In India the health expenditure as a percentage of GDP is abysmally low as compared to some of the major developing countries. It stood at around 4.7% of the total GDP in the year 2014-15.

Urban Rural Divide – People living in rural India do not have sufficient medical infrastructure. Nearly 70% of the population lives in rural areas which have only 20% of the total hospitals of the country.

Women and child health issues - More than 50 per cent of married women in the age group of 15–49 years have iron deficiency, which has contributed to maternal deaths. Infant Mortality Rate per 1,000 live births in India is 34. Malnutrition and inadequate supply of vaccines lead to the death of millions of children every year.

**OR**

Most people live in rural areas. The state of rural infrastructure in India is as follows:

1. Rural women are still using biofuels such as crop residues, dung and fuel wood to meet their energy requirement.
2. They walk long distances to fetch fuel, water and other basic needs.
3. The census 2001 shows that in rural India only 56 per cent households have an electricity connection and 43 per cent still use kerosene. About 90 per cent of the rural households use biofuels for cooking.
4. Tap water availability is limited to only 24 per cent of rural households. About 76 per cent of the population drinks water from open sources such as wells, tanks, ponds, lakes, rivers, canals, etc.
5. Another study conducted by the National Sample Survey Organization noted that by 1996, access to improved sanitation in rural areas was only 6 per cent.

**(Any 4. 1x4=4)**

33. (a) critical assessment of the NEP policies

Any 3 negative and any 3 positive points

**(3+3=6marks)**

(b) Financial Sector Reforms-banking and non-banking financial institutions, stock exchange market and foreign exchange market.

Fiscal Reforms-related to revenue and expenditure reforms.

**(3+3=6marks)**

34. (a) Now it is necessary to know how the growth pattern of employment and GDP affected different sections of workforce.

1. Industrial sectors show substantial shift from farm work to non-farm work.
2. In 1972-73, about 74 per cent of workforce was engaged in primary sector and in 2011-12, this proportion has declined to about 50 per cent.
3. Secondary and service sectors are showing promising future for the Indian workforce. The shares of these sectors have increased from 11 to 24 per cent and 15 to 27 per cent, respectively.
4. The distribution of workforce in different status indicates that over the last four decades (1972-2012), people have moved from self-employment and regular salaried employment to casual wage work.

*Economics 12 Academic Window*

5. Rural Urban breakup of male and female, Sectoral break up of male and female.
6. Self-employment continues to be the major employment provider. Scholars call the process of moving from self-employment and regular salaried employment to casual wage work as **casualization** of workforce.

(1\*4 =4marks)

(b) Salaried employment, men are found to be so engaged in greater proportion. They form 20 per cent whereas women form only 13 per cent.

One of the reasons could be skill requirement. Since regular salaried jobs require skills and a higher level of literacy, women might not have been engaged to a great extent.

Family pressure.

(2marks)



HY/EC/1220/B

19/11/2020

### HALF YEARLY EXAMINATION (2020-2021)

**Subject: ECONOMICS****Max. Marks: 80****Grade: XII****Time: 3 Hrs****Name:****Section:****Roll No:****General Instructions:**

- This question paper consists of 5 printed pages.
- All answers to be written in the answer sheet provided.

#### **SECTION A: MACROECONOMICS**

- |  |   |
|--|---|
| 33. Which of the following is not included in the inventory investment?  | 1 |
| a. Stock of finished goods   |   |
| b. Stock of semi-finished goods  |   |
| c. Consumer goods sold to the household during the accounting year   |   |
| d. Stock of raw materials  |   |
| 34. While calculating Domestic Income of a country, what should be included  | 1 |
| a) Factor income from abroad   |   |
| b) Factor income to abroad   |   |
| c) Remittances received from abroad  |   |
| d) Depreciation  |   |
| 35. Ravi purchased shares of Reliance in November 2019 and sold the same at a profit of Rs 2000 in December. He paid Rs 100 as commission to the agent as sales commission. By how much will the country's national income increase? | 1 |
| 36. In a closed economy, when can the circular flow expand?  | 1 |
| 37. If investment falls to zero, national income does not fall to zero because of  | 1 |
| a) Autonomous consumption  |   |
| b) Induced investment  |   |
| c) Autonomous investment   |   |
| d) Multiplier  |   |
| 38. What is Keynes Psychological Law of Consumption?   | 1 |
| 39. "When income is less than consumption, Marginal Propensity to Save is negative." Is the statement true or false? Justify   | 1 |
| 40. In an economy, break-even point and equilibrium point may lie at the same level of income, if ex-ante investments are ..... (Fill up the blank with correct answer)  | 1 |
| 41. Which of the following is not an indirect tax?   | 1 |

## Economics 12 Academic Window

- a) Corporate Tax  
b) Value added tax  
c) Service Tax  
d) Excise duty
42. In the government budget, if primary deficit is ₹ 10,000 and interest payment is ₹ 2,500 what is the fiscal deficit? 1
43. Does a fiscal deficit in the budget imply deficit in the revenue account also? Give reasons for your answer 3
- OR**  
Are fiscal deficits necessarily inflationary? Justify your answer.
44. How will the following transactions be categorized in the budget? Give reasons. 3
- "The World Bank, as part of its total commitment towards emergency COVID-19 response in India, gave a loan of \$200 million with a maturity of 18.5 years." *World Bank bulletin. May 2020.*
  - Wages paid to government employees
  - Disinvestment
45. Answer the following questions: 4
- "Gross Domestic Product (GDP) is not the best indicator of the economic welfare of a country." Defend or refute the given statement with any valid reason.
  - "Car purchased by a firm is intermediate consumption for the firm." True or False? Justify.
  - If Real GDP is Rs. 600 crores, GDP deflator is 140, then what is the nominal GDP?
  - "Interest on public debt is included as operating surplus while calculating national income." True or False? Justify
- OR**  
Answer the following questions.
- "Gross investment is always greater than net investment." Defend or refute the statement with reason
  - How is interest paid by an individual on loan taken from bank treated in the calculation of national income? Give reason
  - "Rent paid by Embassy of Japan in India to an Indian resident is not included in national income." True or False? Justify
  - Give reason why are exports included while calculating national income?
46. In an economy, with every increase in income, 75% of the increased income is spent on consumption. Given that autonomous consumption is Rs 300 crores and autonomous investment is Rs 150 crores, find 4
- Breakeven level of income
  - Equilibrium level of income
  - Savings at equilibrium level of income

- d) How much should the new investment in the economy be to double the national income from its existing level?
47. Elaborate the objective of ‘reallocation of resources’ and redistribution of wealth in the government budget. 4
48. Answer both a) and b)  
 a) Explain the problem of double counting and how can it be avoided?  
 b) Calculate compensation of employees in kind from the following data:
- | S.No  | Particulars                            | Amount (Rs Cr) |
|-------|--|----------------|
| i.    | Profits after tax                      | 300            |
| ii.   | Gross National Product at market price | 1400           |
| iii.  | Capital Gains                          | 450            |
| iv.   | Interest                               | 150            |
| v.    | Income tax                             | 30             |
| vi.   | Goods and service tax                  | 40             |
| vii.  | Subsidies                              | 60             |
| viii. | Consumption of fixed capital           | 60             |
| ix.   | Remittances from abroad                | 120            |
| x.    | Rent                                   | 400            |
| xi.   | Net factor income to abroad            | 30             |
| xii.  | Corporate Tax                          | 20             |
| xiii. | Dividends                              | 40             |
49. Explain the concept of underemployment equilibrium with the help of a diagram. Explain the role of Open market operations and bank rate to correct this situation 6

**OR**

Is it possible for an economy to be in equilibrium beyond full employment? Explain. Give two measures the government can take to correct this situation

**SECTION B: INDIAN ECONOMICS**

50. Mahalanobis is commonly regarded as the architect of the 1  
 a) First Five Year Plan  
 b) Second Five Year Plan  
 c) Third Five Year Plan  
 d) Fourth Five Year Plan
51. Land reforms were successful in the states of \_\_\_\_\_and \_\_\_\_\_ (fill in the 1

blanks)

**OR**

In the first phase of the Green Revolution, the use of HYV seeds was restricted to the states of \_\_\_\_\_ and \_\_\_\_\_ (fill in the blanks)

52. In the year\_\_\_\_\_, the \_\_\_\_\_ Committee recognized the need for using Small Scale Industries to promote rural development 1
53. \_\_\_\_\_ policy was implemented in the first seven five-year plans of India, to protect domestic industries. (Fill in the blank with correct answer) 1
54. WTO was established in the year 1  
a) 1947  
b) 1948  
c) 1995  
d) 1996
55. "The reforms process has not been able to benefit agriculture". Do you agree with this statement? Give one reason. 1
56. Formal sector establishments employ 1  
a) 8 or more hired labour  
b) 10 or more hired labour  
c) 12 or more hired labour  
d) 20 or more hired labour
57. Define worker-population ratio 1
58. India's Global Burden of Disease is 1  
a) 15%  
b) 17%  
c) 20%  
d) 22%
59. India invests \_\_\_\_\_ percent of its GDP on infrastructure 1
60. Does modernization as a planning objective create a contradiction in the light of employment generation? Explain 3
61. "Over 6 decades of planning, yet eradication of poverty remains a major challenge of planned economic development". Examine this statement in the light of failure of Poverty Alleviation Programs 3
- OR**
- "As part of its three-dimensional approach to poverty, the government initiated the Minimum Needs Programme." Write a short note on this Programme.
62. Critically analyze the need for agricultural subsidies provided by the government 4
63. Explain the positive effects of industrial and trade policies on the industrial development of India during the Five -Year Plans. 4
- OR**
- Explain the three-fold classification of industries under the Industrial Policy Resolution of 1956. How was this policy used to promoting industry in backward regions?
64. "The availability of healthcare facility in rural areas underlines the already existing 4

*Economics 12 Academic Window*

rural-urban divide." Do you agree? Justify

65. Answer the following parts

6

- Is outsourcing beneficial to India? Why are developed countries opposing it
- Explain the 'Deregulation of Industrial Sector' as an economic reform.

**OR**

Critically analyse the success of the New Economic policy in the light of social justice and welfare

66. Answer both questions:

6

- Compared to urban women, more rural women are found working. Why?
- Analyse employment trends based on the data given below.

Item	1972-73	1983	1993-94	1999-2000	2011-2012
	Status				
Self-employed	61.4	57.3	54.6	52.6	52.0
Regular Salaried Employees	15.4	13.8	13.6	14.6	18.0
Casual Wage Labourers	23.2	28.9	31.8	32.8	30.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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HY/ECAK/1220/B

19/11/2020

**HALF YEARLY EXAMINATION (2020-2021)**

**Subject: ECONOMICS (ANSWER KEY)**

**Max. Marks: 80**

**Grade: XII**

**Time: 3 hrs**

**SECTION A: MACROECONOMICS**

- |     |  |   |
|-----|--|---|
| 1.  | Ans: c   | 1 |
| 2.  | ii) Factor income to abroad  | 1 |
| 3.  | Rs 100   | 1 |
| 4.  | When Injections > leakages   | 1 |
| 5.  | a) Autonomous consumption  | 1 |
| 6.  | Increase in consumption is less than increase in income. Thus MPC is always less than 1  | 1 |
| 7.  | False. For MPS to be negative, MPC has to be greater than one. This is not possible as incremental consumption can never exceed incremental income | 1 |
| 8.  | Zero   | 1 |
| 9.  | a) Corporate Tax   | 1 |
| 10. | FD = 12,500 (1/2 mark formula + 1/2 mark ans. Formula mandatory)   | 1 |
| 11. | No, not necessarily  | 3 |

We know Revenue Deficit = Revenue Expenditures (RE) – Revenue Receipts (RR)

Fiscal Deficit = Revenue Deficit + Capital Deficit (Excluding Borrowing)

It's possible to have revenue surplus, less than capital deficit, which will lead to fiscal deficit.

Also, balance in revenue budget but capital deficit will also imply a fiscal deficit

(1 mark for formula + 2 marks reasoning)

IF

OR

No, not necessarily. Fiscal deficit is financed by borrowing or printing currency. So in short run, yes it's inflationary

However, FD is used to increase productive capacity, then increase in goods and services will ensure FD is not inflationary. However, if borrowing is used to finance unproductive expenditure, then FD is inflationary

(to be marked as a whole)

- |     |   |   |
|-----|---|---|
| 12. | a) Capital receipts because it leads to creation of liabilities   | 3 |
|     | b) Revenue expenditure because it does not lead to creation of asset nor reduction of liabilities   |   |
|     | c) Capital receipt because it has led to reduction of assets  |   |
|     | (no marks without reasoning. 1 mark each)   |   |
| 13. | a) Presence of externalities, inflation, concentration of resources or any other valid reason   | 4 |
|     | b) False. It is IC if it is purchased for resale and is final investment if purchased for own use by the firm (both cases to be given- 1/2 mark each) |   |
|     | c) Rs840 ( 1/2 mark formula, 1/2 mark value)  |   |
|     | d) False. It's not included as public debt is unproductive/ taken for consumption purposes  |   |

**OR**

a) Refute. Depends on value of dep. (1/2 mark reasoning 1/2 mark formula)

b) Not included. As it's taken for consumption and not for productive activity. There has been no increase in flow of goods and service

c) False. It's included as FIDA

d) because they measure the country's production that is sold to ROW

14	a) Breakeven = Rs1200 crores b) Eqm level = Rs 1800 crores c) S=Rs 150 cr d) Use multiplier concept only:  Increase in investment = Rs 450 cr. New investment level is Rs 750 crores (1 (1 mark each – no marks if working not shown)	4
15	Reallocation of resources – balance between objective of profit maximization and public welfare through taxes and subsidies. Tax socially harmful goods like cigarettes and subside socially useful goods like khadi. Government expenditure on parks and hospitals  Redistribution of income – objective is to reduce income inequality – through taxing rich and redistributing it to poor; This will reduce income of rich and raise std of living of poor thus reducing income inequality between rich and poor.	4
16	Ans: a) Counting the value of commodities at every stage of production more than one time is called double counting. (1M)  It can be avoided by taking value added method in the calculation of the national income. (1M) and By taking the value of final commodity only while calculating N.I (Final Output Method) (1M) (with brief explanation of both methods) b) COE = ii-(i+xii+iv+x+viii+vi-vii-xi) 1 mark = $1400 - (300 + 20 + 150 + 400 + 60 + 40 - 60 - 30)$ – 1 mark = Rs 520 crores – 1 mark	6
17	Ans: Underemployment equilibrium is a situation where the AD of a certain level of output of an economy is less than the AD required at full employment level leading to deflationary gap which pushes the economy to a lower level of equilibrium. (Defn – 1 mark) Diagram : (1 mark)	6
	<b>Explanation of diagram – 2 marks</b> 2 monetary measures (1/2 mark definition of the monetary measure + 1/2 mark on explanation of how it will correct def gap) – 2 marks <b>OR</b> Ans: Yes – this happens in case of inflationary gap + Definition :- Inflationary gap exists when, at full employment income level, aggregate demand exceeds aggregate supply.(1 mark) Diagram for infl gap- 1 mark Explanation -2 mark Any 2 fiscal measure (note taxes and subsidies is to be treated as one measure) – 2 marks	
	<b>SECTION B: INDIAN ECONOMICS</b>	
18	b) 2 <sup>nd</sup> FYP	1
19	Land reforms were successful in the states of <u>West Bengal</u> and <u>Kerala</u> (1/2 mark each)	1
	<b>OR</b>	
	Punjab, Andhra Pradesh and Tamil Nadu (any 2)	
20	1 <sup>st</sup> blank” 1955	1
	2 <sup>nd</sup> blank: Village and Small-Scale Industries Committee OR Karve Committee	
21	Inward looking/ import substitution (any one)	1
22	c) 1995	1
23	(a) Fall in public Investment in agriculture: especially in infrastructure, which includes irrigation, power, roads etc has fallen in reform period. (b) Removal of Fertiliser subsidy – led to increased cost of production (c) Reduction in import duties on agricultural products – facing foreign competition (d) Removal of MSP (e) Lifting of quantitative restrictions on agricultural products (Ans: (Any one)	1

24	b) 10 or more hired labour	1
25	Worker Population Ratio refers to the ratio of total number of workers to the total population. It is generally expressed in percentage. Worker population = <i>Total number of workers / Total population x 100</i>	1
26	c)20%	1
27	34	1
28	Modernisation as a planning objective means use of advanced technology. Advanced technology requires less labour per unit of output. Thus modernization does create unemployment initially, but if modernization is able to bring increase in output an national income, it would create opportunities of employment and will not be a contradiction in the light of employment generation	3
29	Poverty Alleviation Programmes could not succeed due to: <ul style="list-style-type: none"> <li>• <b>Lack of Resources:</b> Resources allocated to different programmes were far less than required keeping in mind the magnitude of poverty.</li> <li>• <b>Lack of Proper implementation:</b> Due to corruption, lack of training, pressure from local leaders, and lack of awareness amongst the beneficiary group, these programmes were not properly implemented.</li> <li>• <b>Lack of Active participation of Beneficiary Group:</b> Poor people did not actively participate in the implementation of these programmes.</li> <li>• <b>Lack of Infrastructure:</b> Infrastructure required for implementation of these programmes was lacking in the economy</li> <li>• <b>Lack of political will:</b> poverty has been a hindrance in the development of India as a whole since Independence. There have been a lot of schemes aimed at poverty alleviation like provision of ration cards, food for work, MGNREGA, etc yet all of them have failed to get implemented due to lack of penetration of democracy at local levels, lack of political participation, lack of education. (any 3)</li> </ul>	3

#### OR

- i)India was among the pioneers in the world to envisage that through public expenditure on social consumption needs — provision of food grains at subsidised rates, education, health, water supply and sanitation—people's living standard could be improved. Programmes under this approach are expected to supplement the consumption of the poor, create employment opportunities and bring about improvements in health and education.
- ii)One can trace this approach from the Fifth Five Year Plan, “even with expanded employment opportunities, the poor will not be able to buy for themselves all the essential goods and services. They have to be supplemented up to at least certain minimum standards by social consumption and investment in the form of essential food grains, education, health, nutrition, drinking water, housing, communications and electricity.”
- iii)Three major programmes that aim at improving the food and nutritional status of the poor are Public Distribution System, Integrated Child Development Scheme and Midday Meal Scheme. Pradhan Mantri Gram Sadak Yojana, Pradhan Mantri Gramodaya Yojana, Valmiki Ambedkar Awas Yojana are also attempts in developing infrastructure and housing conditions. It may be essential to briefly state that India has achieved satisfactory progress in many aspects.

- 30 **Positives** (any 2): (i) It was necessary to use subsidies to provide an incentive for adoption of the new HYV technology by farmers especially the small farmers. (ii) Any new technology is considered as being risky by farmers. Subsidies were, therefore, needed to encourage farmers to adopt the new technology initially. (iii) Farming in India is still a risky business and subsidies provide hedging against the risk of climatic conditions. (iv) Most farmers are very poor and they will not be able to afford the required inputs without subsidies. (v) Subsidies bring about equity between rich and poor farmers by enabling the poor farmers to use modern technology and inputs.
- Cons** (any 2) (i) Subsidies are benefiting the fertilizer industry more than farmers and it is not making any efforts towards increasing its efficiency as it is protected from market competition by subsidies. (ii) Subsidies are mainly being availed by big farmers in affluent regions who do not actually need them. iii. May lead to wastage of resources and thus put an excessive burden on the scarce government finances.
- 31 (i) Increase in industry's share of GDP: The proportion of GDP contributed by the industrial sector increased in the period from 11.8% in 1950-51 to 24.6% in 1990-91. The rise in the industry's share of GDP is an important indicator of economic development.
- (ii) Diversification of industrial sector: The industrial sector became well diversified by 1990, largely due to the public sector. Indian industry was no longer confined to basic goods like jute cotton, to rather variety of goods like engineering goods, electronic goods etc.
- (iii) Promotion of small-scale industries: The promotion of small-scale industries gave opportunities to those people who did not have the capital to start large firms to get into business. This led in generating more employment and thus promote equality and equity.
- (iv) Protection from foreign competition: Domestic industries were protected from foreign competition through (a) heavy duty on imports and (b) fixation of import quotas. It was done to promote growth of domestic industry to realise the objective of growth with self-reliance.
- OR**
- IPR classified industries into three categories.
- The first category comprised industries which would be exclusively owned by the state;
  - the second category consisted of industries in which the private sector could supplement the efforts of the state sector, with the state taking the sole responsibility for starting new units;
  - Third category consisted of the remaining industries which were to be in the private sector.
- Regional growth: This policy was used for promoting industry in backward regions; it was easier to obtain a license if the industrial unit was established in an economically backward area. In addition, such units were given certain concessions such as tax benefits and electricity at a lower tariff. The purpose of this policy was to promote regional equality (1 mark for each classification + one mark for regional growth)
- 32 • Though 70 per cent of India's population lives in rural areas, only one-fifth of its hospitals (including private hospitals) are located in rural areas.
- Rural India has only about half the number of dispensaries. • Only 30% of beds in government hospitals available in rural areas. • Thus, people living in rural areas do not have sufficient medical infrastructure. • This has led to differences in the health status of people.
  - In rural areas, the percentage of people who have no access to proper healthcare facilities has increased over the last few years. Villagers have no access to any specialised medical care, like paediatrics, gynaecology, anaesthesia and obstetrics.

- The poorest 20 per cent of Indians living in both urban and rural areas spend 12 per cent of their income on healthcare, while the rich spend only 2 per cent. When the poor fall sick they have to sell their land or even pledge their children to afford treatment. Since government-run hospitals do not provide sufficient facilities, the poor are driven to private hospitals, which make them indebted forever, else they opt to die.

33 a) Outsourcing is good for India because:

- It is providing employment to so many Indians
- Bringing foreign exchange through MNCs

Developed countries are opposing it because:

- It will decrease income inequality between developed and developing countries
- It is decreasing employment opportunities in their own countries.

b)

- Abolition of industrial licensing: According to NEP, industrial licensing was abolished for almost all product except for some industries which are of strategic importance for a nation like alcohol, cigarettes, hazardous chemicals, industrial explosives, aerospace and drugs and pharmaceuticals.
- Decrease in the role of Public sector: It was felt that government cannot control everything so private sector was allowed to participate in growth objective of the country and now the only industries which are reserved for the public sector ( number of industries reduced from 17 to 3) are (a) defence equipments, (b) atomic energy generation and (c) railway transport.
- Deregulation of production by small scale industries: But many goods produced by small scale industries have been de-reserved. Also the investment limit on plant and machinery for small scale industries has been increased to Rs. 5 crores.
- Price determination by market forces: In many industries, the market has been allowed to determine the prices through the demand and supply forces.

(3+3- any 3 points for each)

## OR

- (i) More Emphasis to Industries: Due to LPG, focus shifted from agriculture to industry.
- (ii) Fall in Public Investment: Public investment in agriculture sector especially in infrastructure which includes irrigation, power, roads, market linkages and research was reduced in the reform period.
- (iii) Removal of Fertiliser Subsidy: Subsidies in agriculture were reduced which led to increase in cost of production. Farmers, therefore, found it difficult to compete in global markets.
- (iv) Policy Changes: Reduction in import duties on agricultural products, removal of minimum support price and lifting of quantitative restrictions on agricultural products have adversely affected Indian farmers as they now have to face increased international competition.
- (v) Export-oriented Production: There has been a shift from production for the domestic market towards production for the export market focusing on cash crops in lieu of production of food grains. This puts pressure on prices of food grains.
- (vi) growing unemployment – jobless growth

34) a)

i) Women workers account for one-third of the rural workforce whereas in urban areas, they are

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just one-fifth of the workforce. Women carry out works like cooking, fetching water and fuelwood and participate in farm labour. They are not paid wages in cash or in the form of grains; at times they are not paid at all. For this reason, these women are not categorised as workers.

ii) In rural areas, people cannot stay at home as their economic condition may not allow them to do so. But in urban areas, owing to family and social constraints, and skill requirement, less women work in urban areas than in rural areas.

iii) Women in rural areas find ample opportunities of self-employment, engaging themselves in traditional jobs like spinning, weaving, dyeing and bleaching.

b)

- Over the years, people have moved from self-employment and regular salaried employment to casual wage work. Yet self-employment continues to be the major employment provider.
- Scholars call the process of moving from self-employment and regular salaried employment to casual wage work as casualisation of workforce. This makes the workers highly vulnerable.
- Workers and enterprises in the informal sector do not get regular income; they do not have any protection or regulation from the government. Workers are dismissed without any compensation. Technology used in the informal sector enterprises is outdated; they also do not maintain any accounts. Workers of this sector live in slums and are squatters.
- Of late, owing to the efforts of the International Labour Organisation (ILO) the Indian government has initiated the modernisation of informal sector enterprises and provision of social security measures to informal sector workers.



### PRE-BOARD EXAMINATION (2020-21)

**SUBJECT: ECONOMICS**

**MAX. MARK**

**GRADE: XII**

**TIME:**

**General Instructions:**

- *This question paper consists of 6 printed pages.*
- *All answers to be written in the answer sheet provided.*

#### SECTION A: MACRO ECONOMICS

1 Which of the following is a flow variable?

- |                              |              |
|------------------------------|--------------|
| a. Foreign exchange reserves | b. Inventory |
| c. Capital                   | d. Exports   |

The Reserve Bank of India (RBI), in its fourth bi-monthly monetary meet held on October 9, 2020, has decided to keep the repo rate unchanged yet again with accommodative stance. This is the second time in a row the apex bank has kept the key rates unchanged.

The repo rate and reverse rate remain at 4 per cent and 3.35 per cent, respectively, after the announcement. RBI keeping the repo rate unchanged in this monetary policy review was expected by many market participants due to the rising inflation and growth uncertainty in the country.

Borrowers who are facing salary cut/job loss due to the novel coronavirus pandemic situation and were looking for some reduction in their equated monthly instalment (EMI) burden will have to wait a little longer. On the other hand, no change in policy rates means good news for fixed deposit (FDs) investors as banks may go slow on cutting interest rates on FDs.

**October 9, 2020 Economic Times**

2 What is the difference between Repo Rate and Reverse Repo rate?

3 If the borrowers are to get reduced equated monthly instalments burden, then the RBI will \_\_\_\_\_ repo rate and \_\_\_\_\_ the reverse repo rate.

- |                       |                       |
|-----------------------|-----------------------|
| a. Decrease, increase | b. Decrease, decrease |
| c. Increase, decrease | d. Increase, increase |

4 Market participants expected the rates to be constant due uncertainty and low level of activity due to the Covid pandemic was one of the reasons for the repo and reverse rate to be constant. Reserve bank of India will use open market operations by \_\_\_\_\_ (buying/selling) securities to correct the present economic situation in the economy.

5 If national income at constant prices is Rs. 200 crores, Price Index of base year is 80 and price index of current year is 120, the national income at current prices is

- |                   |                   |
|-------------------|-------------------|
| a. Rs. 300 crores | b. Rs. 240 crores |
| c. Rs. 60 crores  | d. Rs. 40 crores  |

**OR**

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Which of the following is within the domestic territory of India?

- a. State Bank of India in UK      b. Google Office in India  
c. Office of Tata Motors in USA      d. Russian Embassy in India

6 Give two examples of Non-Developmental Expenditure.

7 The government budget of a hypothetical economy presents the following information which of the following value represents Primary deficit:

- Revenue expenditure = Rs. 70000 crores
  - Borrowings = Rs. 15000 crores
  - Revenue receipts = Rs. 50000 crores
  - Interest Payments = Rs. 25% of revenue deficit

Rs. 20000 crores	b.	Rs. 5000 crores
Rs. 10000 crores	d.	Rs. 15000 crores

8 In which sub account and on which side of balance of payments account, will profits received from investments abroad be recorded?

9 Identify the correct pair from the column I and II. (Choose the correct alternative)

	<b>Column I</b>		<b>Column II</b>
A	Capital account	(i)	Autonomous transactions
B	Current account	(ii)	Visible and Invisible goods
C	Accommodating Items	(iii)	Made for the purpose of profit
D	Borrowing from Abroad	(iv)	Cannot be recorded in BoP.

- (i) - (ii)

D - (iv)

10 In the case of flexible exchange rate, what happens to foreign exchange demand with the decline in import of goods?

- a. Increase in foreign exchange demand      b. No change in foreign exchange demand  
c. Fall in foreign exchange demand      d. Rise in foreign exchange demand

11 What are non-monetary exchanges? Give an example. Explain their impact on use of gross domestic product as an index of welfare of the people.

OR

‘Money flows are opposite to real flows.’ Explain using diagram.

12 State, giving valid reasons, whether the following statements are true or false:

- a. Devaluation and depreciation are one and the same thing.
  - b. The capital account of BoP records the entry for import of machinery.
  - c. Flexible exchange rate is determined by IMF.

13 What is money multiplier? What is the relationship between LRR and money multiplier? Explain with an example.

14 a) Average propensity to save is always greater than zero. Defend or refute the statement with reasons.

- b) Distinguish between autonomous consumption and induced consumption.

- b. Categorise the following into Revenue or capital expenditure:
- Defence services expenditure
  - Investment in shares

**OR**

Explain the implications of revenue deficit.

- 16 a) Calculate national income from the following:

4+2

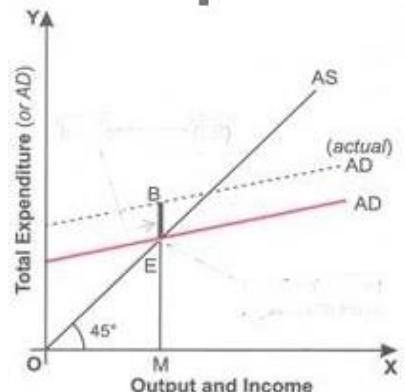
S. No.	Item	Rs. In crores
(i)	Net imports	(-30)
(ii)	Private Final consumption expenditure	400
(iii)	Subsidies	5
(iv)	Net Domestic fixed capital formation	50
(v)	Government final consumption expenditure	100
(vi)	Net factor income from abroad	(-10)
(vii)	Closing stock	10
(viii)	Current replacement cost	40
(ix)	Indirect taxes	55
(x)	Opening stock	20
(xi)	Profits	30

- b) How are the following treated while estimating national income?

- Purchase of goods by foreign tourists
- Interest received on loan given to foreign company in India.

17. Explain the following diagram. Also explain its effects on the economy and suggest government measures to correct it. 2

6



**OR**

How is 'saving and investment approach' derived from the 'aggregate demand and supply' approach of income determination? Explain using diagram.

#### SECTION B: INDIAN ECONOMIC DEVELOPMENT

18. What was the percentage growth of aggregate real output of the Indian economy during the first half of the twentieth century? 1

- Less than two percent
- More than two percent
- Two percent only
- More than three percent

**OR**

Despite being the major source of livelihood, the agriculture sector continued to experience stagnation and deterioration during the British rule in India because of:

- |                          |                            |
|--------------------------|----------------------------|
| a. Decline of handicraft | b. Land tenure system      |
| c. None of the above     | d. Drain of India's wealth |

19. Which of the following makes goods more expensive and discourage its import? 1

- |                 |              |
|-----------------|--------------|
| a. Restrictions | b. Quotas    |
| c. Tariffs      | d. Penalties |

20. **Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:** 1

**Assertion (A):** The major policy initiatives i.e. land reforms and green revolution helped India to become self-sufficient in food grains production.

**Reason (R):** The proportion of people depending on agriculture did not decline as expected

**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
- c) Assertion (A) is true, but Reason (R) is false.
- d) Assertion (A) is false, but Reason (R) is true.

21. **Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:** 1

**Assertion (A):** Public sector undertakings were sold off to private sector in 1991.

**Reason (R):** These public sector undertakings were huge profit-making enterprises.

**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.

22. On which basis did Dadabhai Naoroji computed the average poverty line? 1

23. What is the full form of AICTE? 1

24. The institutional source of credit whose area of operation is the one where banking 1

facilities and cooperatives are absent and which operate at the district level is:

- |  |                                 |
|--|---------------------------------|
| a. Regional rural bank<br>c. Self-help group                           | b. Commercial bank<br>d. NABARD |
| 25. What is meant by morbidity?  | 1                               |
| 26. India surpassed India and Pakistan in ..... sector of the economy. | 1                               |
- (Choose the correct alternative)**
- |                     |                               |
|---------------------|-------------------------------|
| Primary<br>Tertiary | Manufacturing<br>All of these |
|---------------------|-------------------------------|
27. Choose the correct pair of statement from the following column I and column II: 1

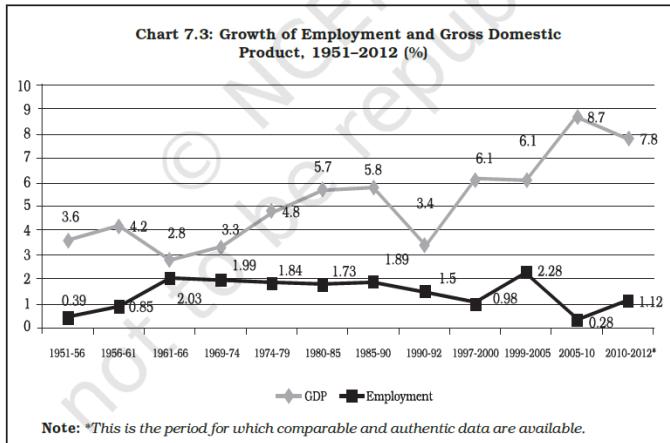
	<b>Column I</b>		<b>Column II</b>
A	It did not have any compulsion to introduce reforms as dictated by the World Bank and International Monetary Fund.	(i)	China
B	When many developed countries were finding it difficult to maintain a growth rate of even 5 per cent.	(ii)	India was able to maintain near double-digit growth during 1980s.
C	Introduced reforms in phases.	(iii)	Pakistan
D	Great Leap Forward	(iv)	1978

- (i) (ii)  
 (iii) (iv)
28. Worker-population ratio is an indicator which is used for analysing the employment situation in the country. This ratio is useful in knowing the proportion of population that is actively contributing to the production of goods and services of a country. If the ratio is higher, it means that the engagement of people is greater; if the ratio for a country is medium, or low, it means that a very high proportion of its population is not involved directly in economic activities. 3

In light of above, substantiate the rural- urban worker participation situation in India.

**OR**

From the given chart, discuss the trend in the Growth of employment and the GDP in India.



29. According to Herman Daly, a leading environmental economist, certain steps must be taken to achieve sustainable development. Mention those steps. 3
30. Protection of small-scale industry and regulation of large-scale industry was removed from 1991'. Justify the rationale of the given statement. 4
31. What are the achievements of policies on industrial development? 4
32. In China, lack of political freedom and its implications for human rights are major concerns, yet, in the last three decades, it has succeeded in raising the level of growth along with alleviation of poverty. China is moving ahead of India and Pakistan in terms of many human development indicators. Defend or refute. Justify your statement. 4

**OR**

The present day fast industrial growth in China can be traced back to the reforms introduced in 1978. Explain.

33. (a) Explain the 'expenditure on education' as a source of human capital formation. 6  
 (b) Explain any two SELF EMPLOYMENT Poverty alleviation programmes.
34. a. 'The expansion and promotion of the rural banking sector has taken a backseat after reforms.' Explain how? 6  
 b. India bears a frightening rate of 20% of Global Burden of Disease. Discuss.

**OR**

- a. 'There is a need to increase credit facilities to the fishing community in India.' Analyse the status and the problems faced by Fisheries in India.  
 b. 'Private sector plays a dominant role in the provision of health infrastructure in India'. Justify.

**PRE-BOARD EXAMINATION (2020-21)****ANSWER KEY****SUBJECT: ECONOMICS****MAX. MARKS:80****GRADE: XII****TIME: 3 HOURS****PART A - MACRO ECONOMICS**

1. Real flow -Factor services. (1)
  2. Money supply refers to stock of money held with the public at a particular point of time (1)
  3. C ) C-iii (1)
  4. fall (1)
  5.  $(\infty)$  (1)
- OR
- 0.25
6. Redistribution of income (1)
  7. Direct tax. (1)
  8. c. (1)
  9. c (1)
  10. b. (1)
  11. Change in stock = (ii) +(vi)+(v)-(iii)-(i)  
 $= 200+100+40-10-400$   
 $= (-) ₹70 \text{ Crores.}$  (3)

OR

Real national income refers to national income estimated at constant prices. So real national income increases only when the output of the country increases.

1×3=3

However in the presence of externalities , even the real national income is not a good indicator of welfare. Eg.

- i) Example of a positive externality: When the new park is developed by municipal corporation raises welfare of people of the locality.
- ii) Example of a negative externality: When the new park developed by municipal corporation is used by anti-social elements and leads to insecurity of the residents.
12. “Borrowing from abroad” is recorded in the ‘capital account of BoP account because it increases international liability of the country. It is recorded in the credit side because it brings foreign exchange into the country. 1½+
13. Money supply has two components: currency and demand deposits. Currency is issued by the central bank whereas demand deposits are created by the commercial banks. They create 1½ (4)

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money in the form of demand deposits related to the loans offered by them. Demand deposits of the commercial banks are many times more than their cash reserves. This is based on the historical experience of the banks that cash withdrawal of funds is only a small percentage of the total demand deposits.

The money created by the commercial banks in the form of demand deposits is mainly used for investment or production purpose. Any rise in investment leads to many times more increase in national income of an economy. Via multiplier effect.

14. 
$$\begin{aligned} Y &= C+I \\ C &= \bar{C} + b(Y) \\ Y &= \bar{C} + b(Y) + I \end{aligned}$$

$$700 = 70 + 0.8(700) + I \quad 1\frac{1}{2}$$

$$700 = 70 + 560 + 1$$

$$I = 700 - 630$$

$$I = 70 \quad 1$$

15. a.

**Capital Receipts:** -

Capital Receipts refer to those receipts of the government which either create liability for the government or causes reduction in its assets.

Eg: Borrowings

**Revenue Receipts:** -

Revenue receipts of the government are those

2

Money receipts which do not create a liability for the government and as well do not lead to reduction in assets of the government.

Eg: Income tax

(any other relevant example)

b. Implications of Primary deficit

1. It indicates the extent of borrowings available for expenditure after paying interests

2. Higher primary deficit indicate better fiscal discipline by earlier government and vice versa.

OR

Revenue deficit = Tax + interest receipts + dividends – revenue exp = 774 cr

2

Fiscal deficit = 235 crs

Primary deficit = 500 crs

16. a)  $NPmp = 1200 + 1000 + 800 + (-) 20 + 140 - 20 = Rs. 3100$  crs. (4+2)

$$NPmp = 2100 + 600 + 450 + 10 - 40 = 20 = 3100 \text{ crs} \quad 2$$

b)  $1\frac{1}{2}$

(i) Not included. It is earned outside the domestic territory of India  $\frac{1}{2}$

(ii) Not included. Intermediate expenditure. 1

17. An economy is said to be operating at under employment equilibrium level, if the planned 2

## Economics 12 Academic Window

aggregate expenditure falls short of available output in the economy, corresponding to the full employment level. It results into excess of output available over the anticipated aggregate demand at full employment level. To tackle such a situation the aggregate demand must be increased up to the level that the stocks can be cleared.

Following measures may be taken for the same:

- i) Decrease in taxes: The government under its fiscal policy may decrease the rate of taxes (both direct and indirect taxes). This will ensure greater purchasing power in the hands of public. This will help to increase aggregate demand and remove the deflationary gap. 2
- ii) Increase in money supply: Central bank through its expansionary monetary policy can increase the money supply in the economy. Central bank can use tools like bank rate, cash reserve ratio, repo and reverse repo rates etc. to ensure greater money in the hands of general public which would in turn increase the aggregate demand in the economy and be helpful in reducing/removing the deflationary gap. 2

OR

- a)
  - (i) The shaded area AOB represents the dis-savings. 1
  - (ii) Point B indicates break-even level of income where Consumption(C) is equal to Income (Y) or Savings (S) are zero. 2
- b) Aggregate demand refers to total value of final goods and services which all the sectors of an economy are planning to buy at a given level of income during a period of an accounting year. 1½

Aggregate supply refers to money value of goods and services that all the producers are willing to supply in an economy in a given time period.

## PART B - INDIAN ECONOMIC DEVELOPMENT

- 18 First Indian census -1881 (1)
- 19. a. (1)
- 20. d. (1)

OR

Import substitution.

- 21. a (1)
- 22. Population explosion (1)
- 23. Complementary (1)
- 24. Energy (1)
- 25. Japan (1)
- 26. a (1)
- 27. b. (1)

28.

- i) Educated person can contribute to economic growth more than that of uneducated person. Skills of an educated person are more. Education changes the outlook of the person. Educated labour force adopts new technologies easily. It increases the production, as a result, higher rate of economic growth is achieved. 1½
- ii) Investment in health keeps laboures healthy and enables them to work for a long period. A sick person always abstains from work and therefor, there is loss of productivity. But healthy person contributes in production resulting higher rate of economic growth. 1½

Or

The given statement is correct. Human Capital Formation not only increases the productivity of available human resources but also stimulates innovation and creates ability to adopt new technologies. Investment in education creates ability to adopt newer technologies, facilitates invention and innovation since educated workforce generally adapts to modern technologies and innovation. (any other valid argument to be allotted marks) (to be marked as whole)

3

29.

Rapid expansion of the banking system had positive effect on rural farm and non-farm output, income and employment. In spite of it, following problems have been faced in the rural banking such as-

- i) The volume of rural credit in the country is still insufficient in comparison to its demand and institutional sources have failed to cover the entire rural farmers of the country. 1½
- ii) Less attention has been given on the credit requirements of needy (small and marginal farmers) and the problem of overdue in agricultural credit continues. (any other valid argument to be allotted marks) 1½

30.

After independence the government of India took several institutional/land reforms to ensure transformation of Indian agriculture, such as:

- i) Land ceiling –It ensured reduction of concentration of land ownership in few hands.
- ii) Abolition of Zamindari system – It focused on elimination of farmers' exploitation and promotion of agricultural growth. These reforms have led to stability of farming as an occupation and promoted equity. (any other relevant argument/explanation to be allotted marks) 4

31.

Two steps taken by the government of India on financial sector under the Economic Reforms of 1991 were:

- a. Change in the role of Reserve Bank of India (RBI): The role of RBI was reduced from regulator to facilitator of financial sector. This means that financial sector was given greater 2

## Economics 12 Academic Window

- autonomy (to take decisions) on many matters independent of RBI.
- b. Origin of Private Banks: The reform process led to establishment of private sector banks of Indian as well as foreign origin. (marks to be awarded for any other relevant measure) 2
32. a) The given data shows that China could arrest its annual population growth rate with the implementation of some stringent measure in late 1970's like the introduction of one child norm. This step has been instrumental in controlling the growth of population in China. India stands virtually more than double to China at its annual population growth rate of 1.2% as compared to China's annual population growth rate of 0.5% pa. 4
- b) The social dynamics of both the countries are similar to each other; sex ratio is low and biased in both the countries due to preference for male child. Whereas India stands at 929 females per 1000 males, China is not far ahead at 941 females per 1000 males.
- OR
- FDI in china is higher than in India and Pakistan, because of the following reasons.
- i) China allowed foreign investors hundred percent equity investment.
  - ii) It allowed the foreign investors the freedom to 'hire and fire' the workers. It also offered them a lucrative infrastructure.
  - iii) By establishing SEZ, it offered lucrative infrastructural facilities to the foreign investors. 1x4=4
  - iv) China was liberal in allowing FDI in retail.
33. The period between 1990 to 2012 had been a significant one. Introduction of Economic Reforms in India has changed everything in India. Variables shown in the given graph show that GDP growth rate has taken an upwards trend over the years whereas the situation of Employment growth rate has seen major fluctuations while going down in overall trend. GDP growth rate has increased from a meager 3.4% in 1991 to 7.8% in 2012. However, the employment growth rate has shown declining trends from 1.5% in 1991 to 1.12% in 2012. Between the period 1999-2005 the employment generation rate was at peak since independence i.e. 2.28% p.a. with the corresponding GDP growth rate standing at a decent 6.1% p.a. The gap between the two variables is maximum between the period 2005-10 when the employment growth rate hit the lowest in history of Independent India i.e. 0.28%. In the same period the GDP growth rate had hit the highest level since independence to the tune of 8.7% p.a. Indian economy has witnessed the peculiar phenomena of 'jobless growth' over all these years. Learning from the situation government had put in serious efforts on employment front and brought it to a level of 1.12% p.a. between the period 2010-12. In all the period between 1990-2012 has been a real roller coaster ride for the India economy on the two front of GDP and Employment Growth rate. 6
- 34.
- a) Non-farm activities (agro-processing industries, poultry, craft, handloom) provide 3

alternative avenues for sustainable livelihood and may raise the level of income as the risks due to fluctuations in production and market prices is generally less. Agriculture in India is mainly a seasonal occupation, however, during off seasons, it becomes difficult to find employment and stabilize farmer's income. Thus, the Prime Minister has urged

appropriately in the best interest of the farmers of the rural India. (to be marked as whole)

- b) The statement is defended as the improvement in the health system in India has been unreasonably slow since independence. Indian health system has been a victim of a relatively low public expenditure, along with other reasons. The health expenditure as a percentage of GDP is abysmally low as compared to some of the major developing countries. It stood at around 4.7% of the total Gross Domestic Product (GDP) in the year 2014-15. Thus, actually Indian health system needs the increased dose of public expenditure to cure itself. (to be marked as whole) 3

OR

a) The given statement is quite appropriate. Indian traditional practices were environment friendly and worked as complementary to the system and not its controller. The traditional agriculture system, healthcare system, housing, transport etc. were intrinsically environment friendly. The traditional practices used natural products and processes which are more or less free from side effects. For example, by adopting medicinal plants/products we can conserve the resources and achieve the objective of sustainable development. 3

b) Information technology plays a significant role in achieving sustainable development and food security. Global covid crises has further enhanced the use of information technology in rural areas. Presently, internet users in India are more in rural areas than the urban areas.

- This underscores the significance of information technology as an alternative source of employment for the educated youth in the rural areas. This would reduce their dependence upon crop farming as a conventional source of livelihood which is extremely overcrowded and highly uncertain. 3



## **PRE-BOARD EXAMINATION (2020-21)**

## **SUBJECT: ECONOMICS**

**MAX. MARKS:80**

GRADE: XII

**TIME: 3 HOURS**

### ***General Instructions:***

- *All Questions are compulsory*
  - *All questions to be written in the answer sheet provided*

PART A - MACRO ECONOMICS

1. Identify the correctly matched pair of the items in Column A to those in Column B. (1)

<i>Column A</i>	<i>Column B</i>
1.Money flow	a) Depreciation
2. Real flow	b) Factor services
3.Trade flow	c)Housework by housewife
4.Capital flow	d)Inventory



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



OR

If the value of average propensity to consume is given as 0.75, the value of average

propensity to save would be \_\_\_\_\_ (Fill in the blank with the correct answer)

6. Amit was telling to Sumit about free distribution of LPG connection to the poor people. (1)  
Amit told to Sumit that government is trying to achieve \_\_\_\_\_ objective of government budget. (redistribution of income and wealth/allocation of resources) **(Choose the correct alternative)**
7. \_\_\_\_\_ is a tax whose impact and incidence fall on the same person. (1)  
((Fill in the blank with the correct answer))
8. **Read the following and answer Questions 8-10 based on the same:** (1)

The current account surplus in Q1 FY21 was well above our expectations, as the fall in remittances was remarkably muted, despite the adverse economic conditions globally amid the ongoing pandemic. With the domestic and global lockdowns to fight Covid-19 exuding a differentiated impact on exports and imports, the merchandise trade deficit shrunk to just \$10.0 billion in Q1 FY21, most of which was accounted for by the net oil balance.

*Aditi Nayar, Principal Economist, ICRA*

The exchange rate of the rupee is determined largely by the market forces of demand and supply. The Reserve Bank of India has intervened occasionally to maintain orderly conditions and curb excessive volatility in the foreign exchange market. Being a current account deficit country, India is dependent on capital flows for financing the current account deficit. Given the dependence on volatile capital flows, there may be a case for augmenting forex reserves when the situation permits without any bias for a particular exchange rate band.

Current account balance =

- a. Trade balance + Goods and services balance
  - b. Trade balance – Goods and services balance
  - c. Trade balance +Invisible balance
  - d. Trade balance -Invisible balance
9. Foreign exchange refers to: (1)
- a. The price of one currency in terms of gold in the domestic market.
  - b. The price of one currency determined by government of other currency.
  - c. The price of one currency in relation to other currencies in the international money market.
  - d. None of these.
10. Which of the following is correct in case of managed floating (1)
- a. Under this exchange rate does not remain within the desired limits.
  - b. Market exchange rate is influenced by the sale and purchase of foreign currency in

the international market.

- c. Government does not intervene to manage the exchange rate in this system.
- d. All of these.
11. Calculate the value of ‘Change in Stock’ from the following data: (3)

S. No.	Items	Amount (in ₹ Crores)
(i)	Sales	400
(ii)	Net Value Added at Factor Cost (NVAFC)	200
(iii)	Subsidies	10
(iv)	Depreciation	40
(v)	Intermediate Consumption	100

OR

- b) What is meant by ‘real national income’? Explain why, due to presence of externalities, real national income in itself cannot be considered as true index of economic welfare.
12. Where is ‘borrowings from abroad’ recorded in the Balance of Payments Accounts? Give (3) reasons.
13. Currency is issued by the central bank, yet we say that commercial banks create money. (4) Explain. How is this money creation by commercial banks likely to affect the national income? Explain.
14. Calculate “Investment expenditure” from the following data about an economy which is in (4) equilibrium:
- National income = 700  
 MPC=0.8  
 Autonomous consumption expenditure =70
15. The government’s total receipts during April 2019-January 2020 period of current fiscal (4) stood at Rs 12.82 lakh crore, while total expenditure for the said period was Rs 22.68 lakh crore.  
*Time of India. 29<sup>th</sup> Feb 2020.*

- a) How are capital receipts different from revenue receipts?
- b) Give two implications of primary deficit

OR

(4)

From the following data about a government budget find (a) Revenue deficit (b) Fiscal deficit (c) Primary deficit

S. NO.	Item	Rs. In crore
i.	Tax revenue	1037
ii.	Revenue expenditure	2811
iii.	Interest receipts by government on net domestic lending	400

iv.	Dividends and profits on investments	600
v.	Recovery of loans	135
vi.	Capital expenditure	574
vii.	Proceeds from sale of shares in PSUs	100
viii.	Interest payments on accumulated debts	1013

16. a) Calculate from the following data, net national product at market price by (i) income method (ii) expenditure method (3+3)

Item No.	Items	Rs. In crores
i.	Compensation of employees(	1200
ii.	Mixed income of self employed	800
iii.	Gross fixed capital formation	430
iv.	Consumption of fixed capital	30
v.	Employers contribution to social security schemes	100
vi.	Operating surplus	1000
vii.	Net capital formation	450
viii.	Exports	10
ix.	Imports	40
x.	Indirect Taxes	140
xi.	Subsidies	30
xii.	Private Final consumption expenditure	2100
xiii.	Government final consumption expenditure	600
xiv.	Purchases by non-resident households in the domestic market	50
xv.	Net factor income to abroad	20

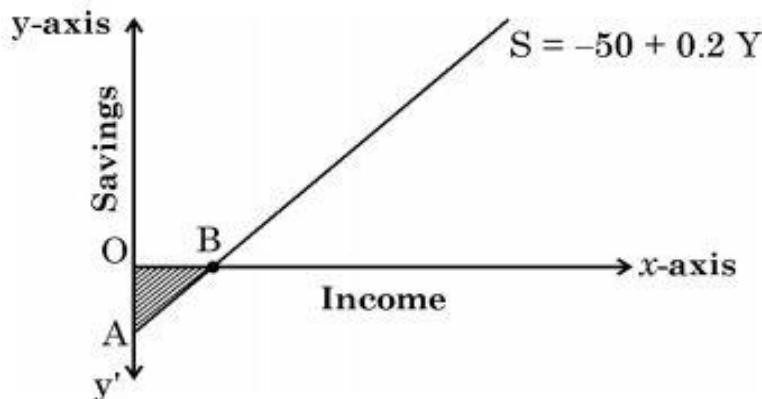
b) How are the following treated under domestic factor income of India?

- i. Rent received by an Indian resident from the Russian Embassy in India.

- ii. Expenditure on engine oil by a car service station.
17. ‘An economy can operate at under-employment level of income’. What is meant by the given statement? Discuss one fiscal measure and one monetary measure to tackle the situation. (6)

OR

- a) Answer the following questions based on the given figure:



(1+2)

- (i) What does the shaded area AOB indicate?  
(ii) What is the significance of point B?

(3)

- b) Distinguish between Aggregate Demand and Aggregate Supply.

### PART B - INDIAN ECONOMIC DEVELOPMENT

18. Form the set of statements given in column A and column B, choose the correct pair of statement. (1)

Column A	Column B
1.Railway services in India	(a) 1897
2.First Indian census	(b)1881
3.Second stage of demographic transition	(c)1883
4.First train in India.	(d)1921

- a. 1. – (a)  
c. 3. – (c)

- b. 2. – (b)  
d. 4. – (d)

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

**Assertion (A):** Industries of strategic significance (like of iron & steel, electricity generation and engineering goods) were recognized as universal intermediaries.

**Reason (R):** These industries supplied essential ingredients for almost all heavy industries 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.

20. The most benefitted state due to green revolution is (Choose the correct alternative) (1)

a. Odisha	b. Kerala
c. Bihar	d. Punjab.

OR (1)

OR

(1)

A strategy to save foreign exchange by encouraging domestic production of such goods which the country has been importing from rest of the world is -----  
(Fill in the blank with the correct answer).

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

**Assertion (A):** India is an important destination of outsourcing particularly, BPO

**Reason (R):** Availability of cheap labour in India, or relatively low wage rate for the skilled workers, and a revolutionary growth of IT industry in India.

## 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.

**Read, the following hypothetical Case Study, carefully and answer the question numbers 22 - 25 on the base of the same.**

#### *Population Growth*

India ranks second after China in its total population. Its population has grown 20% per decade, leading to problems that include food deficits, sanitation deterioration, and pollution. Although economic growth numbers look promising, the living standards of most citizens are not changing.

Malnutrition is a severe problem in India that is causing childhood stunting, anemia in women of reproductive age, and overweight adult women. Sanitation is a massive ongoing problem that the government has been unable to address.

China, the United States, and India are the three most egregious environmental polluters in the world in that order.

Deteriorating Infrastructure

**India has struggled to improve its deteriorating infrastructure in business, education,**

*Economics 12 Academic Window*

and healthcare. India's power grid is overstressed, and power failures have been daily occurrences in the most developed areas of Delhi, Mumbai, and Bangalore.

Public transportation and roadways have not kept pace with population growth, and the education infrastructure is backward with a literacy rate of 72%. India's healthcare infrastructure needs reform. India provides healthcare to all its citizens, but the 90% who must use public health services and do not have private insurance through an employer receive poor care in substandard facilities.

To combat crumbling infrastructure, infrastructure lending has risen three-fold since 2014.

For 2019, the government has increased its estimated budgetary and extra-budgetary expenditure on infrastructure to Rs 5.97 lakh crore.

31. Discuss briefly the rationale behind choosing ‘Self-reliance’ as a planning objective for the Indian economy. (4)

OR

Discuss briefly any two major steps taken by the Government of India on ‘Financial Sector’ front under the Economic Reforms of 1991.

32. Compare and analyze the given data of India and China with valid reasons: (4)

Country	Annual growth rate of population (2015)	Sex ratio (per thousand males)
India	1.2%	929
China	0.5%	941

Source: *World Development Indicators, 2015*

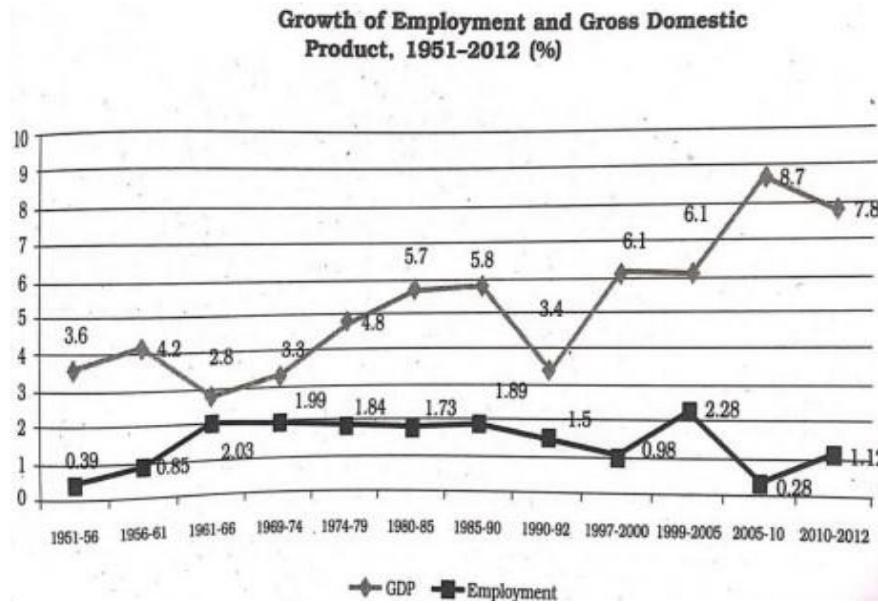
OR

Total foreign direct investment (FDI) into India in the first quarter of 2020-21 plunged by 60% from the year-ago period to \$6.5 billion, reflecting the impact of the Covid-19 pandemic on the global investment scenario.

*The Economic Times*  
24<sup>th</sup> Sep 2020

‘China succeeded in attracting much greater FDI than India and Pakistan’. Discuss.

33. Study the following chart showing the growth of employment and GDP and analyses the trend of the two variables from 1990-2012 (6)



34. (a) “The Prime Minister urged to increase the rural income by increasing non-farm activities.” Explain how non-farm activities can lead to rise in income of people in rural sector. (3+3)  
(b) “Indian health system needs the increased dose of public expenditure to cure itself.” Defend or refute the given statement with valid arguments.

OR

- a). “Recently Indians have drifted away from the traditional knowledge and practices and caused large scale damage to environment”. Explain how, adopting the traditional practices can be helpful in achieving the objective of sustainable development?
- b) ‘Information technology plays a very significant role in achieving sustainable development and food security’. Explain.



**PRE-BOARD EXAMINATION (2020-21)**  
**ANSWER KEY**

**Subject: ECONOMICS****Max. Marks:80****Grade:XII****Time: 3 hours****PART A - MACRO ECONOMICS**

1. Real flow -Factor services. (1)  
2. Money supply refers to stock of money held with the public at a particular point of time (1)  
3. C ) C-iii (1)  
4. fall (1)  
5.  $(\infty)$  (1)  
OR  
0.25  
6. Redistribution of income (1)  
7. Direct tax. (1)  
8. c. (1)  
9. c (1)  
10. b. (1)  
11. Change in stock = (ii) +(vi)+(v)-(iii)-(i) (3)  
= 200+100+40-10-400  
= (-) ₹70 Crores.

**OR**

Real national income refers to national income estimated at constant prices. So real national income increases only when the output of the country increases.

1×3=3

However in the presence of externalities , even the real national income is not a good indicator of welfare. Eg.

- i) Example of a positive externality: When the new park is developed by municipal corporation raises welfare of people of the locality.  
ii) Example of a negative externality: When the new park developed by municipal corporation is used by anti-social elements and leads to insecurity of the residents. 3  
12. “Borrowing from abroad” is recorded in the ‘capital account of BoP account because it increases international liability of the country. It is recorded in the credit side because it brings foreign exchange into the country. 1½+  
1½

## Economics 12 Academic Window

13. Money supply has two components: currency and demand deposits. Currency is issued by the central bank whereas demand deposits are created by the commercial banks. They create money in the form of demand deposits related to the loans offered by them. Demand deposits of the commercial banks are many times more than their cash reserves. This is based on the historical experience of the banks that cash withdrawal of funds is only a small percentage of the total demand deposits. (4)
- The money created by the commercial banks in the form of demand deposits is mainly used for investment or production purpose. Any rise in investment leads to many times more increase in national income of an economy. Via multiplier effect.
14.  $Y = C + I$  1½  
 $C = \bar{C} + b(Y)$   
 $Y = \bar{C} + b(Y) + I$
- $700 = 70 + 0.8(700) + I$  1½  
 $700 = 70 + 560 + 1$   
 $I = 700 - 630$   
 $I = 70$  1
15. a. **Capital Receipts:** -  
 Capital Receipts refer to those receipts of the government which either create liability for the government or causes reduction in its assets.  
 Eg: Borrowings  
**Revenue Receipts:** -  
 Revenue receipts of the government are those  
 Money receipts which do not create a liability for the government and as well do not lead to reduction in assets of the government. 2  
 Eg: Income tax  
 (any other relevant example)  
 b. Implications of Primary deficit  
 1. It indicates the extent of borrowings available for expenditure after paying interests  
 2. Higher primary deficit indicate better fiscal discipline by earlier government and vice versa.
- OR
- Revenue deficit = Tax + interest receipts + dividends – revenue exp = 774 cr 2  
 Fiscal deficit = 235 crs  
 Primary deficit = 500 crs
16. a)  $NNP_{mp} = 1200 + 1000 + 800 + (-) 20 + 140 - 20 = \text{Rs.} 3100 \text{ crs.}$  (4+2)  
 $NNP_{mp} = 2100 + 600 + 450 + 10 - 40 = 20 = 3100 \text{ crs}$  2  
 b) 1½  
 (i) Not included. It is earned outside the domestic territory of India ½  
1

## Economics 12 Academic Window

- (ii) Not included. Intermediate expenditure. 1
17. An economy is said to be operating at under employment equilibrium level, if the planned aggregate expenditure falls short of available output in the economy, corresponding to the full employment level. It results into excess of output available over the anticipated aggregate demand at full employment level. To tackle such a situation the aggregate demand must be increased up to the level that the stocks can be cleared. 2

Following measures may be taken for the same:

- iii) Decrease in taxes: The government under its fiscal policy may decrease the rate of taxes (both direct and indirect taxes). This will ensure greater purchasing power in the hands of public. This will help to increase aggregate demand and remove the deflationary gap. 2
- iv) Increase in money supply: Central bank through its expansionary monetary policy can increase the money supply in the economy. Central bank can use tools like bank rate, cash reserve ratio, repo and reverse repo rates etc. to ensure greater money in the hands of general public which would in turn increase the aggregate demand in the economy and be helpful in reducing/removing the deflationary gap. 2

OR

- a)
- (iii) The shaded area AOB represents the dis-savings. 1  
2
- (iv) Point B indicates break-even level of income where Consumption(C) is equal to Income (Y) or Savings (S) are zero.
- b) Aggregate demand refers to total value of final goods and services which all the sectors of an economy are planning to buy at a given level of income during a period of an accounting year. 1½  
1½

Aggregate supply refers to money value of goods and services that all the producers are willing to supply in an economy in a given time period.

### PART B - INDIAN ECONOMIC DEVELOPMENT

- 18 First Indian census -1881 (1)
19. a. (1)
20. d. (1)
- OR
- Import substitution.
21. a (1)
22. Population explosion (1)
23. Complementary (1)
24. Energy (1)
25. Japan (1)

- |  |                         |
|--|-------------------------|
| 26. a<br>27. b.<br>28. iii) Educated person can contribute to economic growth more than that of uneducated person. Skills of an educated person are more. Education changes the outlook of the person. Educated labour force adopts new technologies easily. It increases the production, as a result, higher rate of economic growth is achieved.<br><br>iv) Investment in health keeps labours healthy and enables them to work for a long period. A sick person always abstains from work and therefor, there is loss of productivity. But healthy person contributes in production resulting higher rate of economic growth. | (1)<br><br>1½<br><br>1½ |
|--|-------------------------|
- Or**
- The given statement is correct. Human Capital Formation not only increases the productivity of available human resources but also stimulates innovation and creates ability to adopt new technologies. Investment in education creates ability to adopt newer technologies, facilitates invention and innovation since educated workforce generally adapts to modern technologies and innovation. (any other valid argument to be allotted marks) (to be marked as whole) 3
- |   |
|---|
| 29. Rapid expansion of the banking system had positive effect on rural farm and non-farm output, income and employment. In spite of it, following problems have been faced in the rural banking such as- <ul style="list-style-type: none"> <li>iii) The volume of rural credit in the country is still insufficient in comparison to its demand and institutional sources have failed to cover the entire rural farmers of the country.</li> <li>iv) Less attention has been given on the credit requirements of needy (small and marginal farmers) and the problem of overdue in agricultural credit continues.</li> </ul> (any other valid argument to be allotted marks) <span style="float: right;">1½</span><br><br><span style="float: right;">1½</span> |
|---|
- |  |                                      |
|--|--------------------------------------|
| 30. After independence the government of India took several institutional/land reforms to ensure transformation of Indian agriculture, such as:<br>i) Land ceiling –It ensured reduction of concentration of land ownership in few hands.<br>ii)Abolition of Zamindari system – It focused on elimination of farmers' exploitation and promotion of agricultural growth. These reforms have led to stability of farming as an occupation and promoted equity. (any other relevant argument/explanation to be allotted marks) | <span style="float: right;">4</span> |
|--|--------------------------------------|
- |  |                                      |
|--|--------------------------------------|
| 31. Two steps taken by the government of India on financial sector under the Economic Reforms of 1991 were:<br>a. Change in the role of Reserve Bank of India (RBI): The role of RBI was reduced from regulator to facilitator of financial sector. This means that financial sector was given greater | <span style="float: right;">2</span> |
|--|--------------------------------------|

- autonomy (to take decisions) on many matters independent of RBI.
- b. Origin of Private Banks: The reform process led to establishment of private sector banks of Indian as well as foreign origin. (marks to be awarded for any other relevant measure) 2
32. a) The given data shows that China could arrest its annual population growth rate with the implementation of some stringent measure in late 1970's like the introduction of one child norm. This step has been instrumental in controlling the growth of population in China. India stands virtually more than double to China at its annual population growth rate of 1.2% as compared to China's annual population growth rate of 0.5% pa. 4
- b) The social dynamics of both the countries are similar to each other; sex ratio is low and biased in both the countries due to preference for male child. Whereas India stands at 929 females per 1000 males, China is not far ahead at 941 females per 1000 males.
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- FDI in china is higher than in India and Pakistan, because of the following reasons.
- v) China allowed foreign investors hundred percent equity investment.
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  - vii) By establishing SEZ, it offered lucrative infrastructural facilities to the foreign investors.
  - viii) China was liberal in allowing FDI in retail.
- 1x4=4
33. The period between 1990 to 2012 had been a significant one. Introduction of Economic Reforms in India has changed everything in India. Variables shown in the given graph show that GDP growth rate has taken an upwards trend over the years whereas the situation of Employment growth rate has seen major fluctuations while going down in overall trend. GDP growth rate has increased from a meager 3.4% in 1991 to 7.8% in 2012. However, the employment growth rate has shown declining trends from 1.5% in 1991 to 1.12% in 2012. Between the period 1999-2005 the employment generation rate was at peak since independence i.e. 2.28% p.a. with the corresponding GDP growth rate standing at a decent 6.1% p.a. The gap between the two variables is maximum between the period 2005-10 when the employment growth rate hit the lowest in history of Independent India i.e. 0.28%. In the same period the GDP growth rate had hit the highest level since independence to the tune of 8.7% p.a. Indian economy has witnessed the peculiar phenomena of 'jobless growth' over all these years. Learning from the situation government had put in serious efforts on employment front and brought it to a level of 1.12% p.a. between the period 2010-12. In all the period between 1990-2012 has been a real roller coaster ride for the India economy on the two front of GDP and Employment Growth rate. 6
34. a) Non-farm activities (agro-processing industries, poultry, craft, handloom) provide alternative avenues for sustainable livelihood and may raise the level of income as the risks due to fluctuations in production and market prices is generally less. Agriculture in India is 3

mainly a seasonal occupation, however, during off seasons, it becomes difficult to find employment and stabilize farmer's income. Thus, the Prime Minister has urged appropriately in the best interest of the farmers of the rural India. (to be marked as whole)

b) The statement is defended as the improvement in the health system in India has been unreasonably slow since independence. Indian health system has been a victim of a relatively low public expenditure, along with other reasons. The health expenditure as a percentage of GDP is abysmally low as compared to some of the major developing countries. It stood at around 4.7% of the total Gross Domestic Product (GDP) in the year 2014-15. Thus, actually Indian health system needs the increased dose of public expenditure to cure itself. (to be marked as whole) 3

OR

a) The given statement is quite appropriate. Indian traditional practices were environment friendly and worked as complementary to the system and not its controller. The traditional agriculture system, healthcare system, housing, transport etc. were intrinsically environment friendly. The traditional practices used natural products and processes which are more or less free from side effects. For example, by adopting medicinal plants/products we can conserve the resources and achieve the objective of sustainable development.

b) Information technology plays a significant role in achieving sustainable development and food security. Global covid crises has further enhanced the use of information technology in rural areas. Presently, internet users in India are more in rural areas than the urban areas. This underscores the significance of information technology as an alternative source of employment for the educated youth in the rural areas. This would reduce their dependence upon crop farming as a conventional source of livelihood which is extremely overcrowded and highly uncertain. 3

## Application and Interdisciplinary Questions

### MACRO ECONOMICS

- Q1) Why comparing the GDP of various nations might not tell you which nation is better off?
- Q2) Compensation to flood victims is a good social security measure by the Govt. But why it is not included in the estimation of national income?
- Q3). GDP Calculation do not directly include the social costs of environmental damages for example global warming, acid rain. Do you think these costs should be included in GDP? Why or Why not?
- Q4). Why did India devalue its currency in 1991?
- Q5). Do you think that a rise in BPO services a good source of supply of foreign currency?
- Q6) Suppose the present foreign exchange rate is 1\$= Rs50 and if it falls to 1\$=Rs60 should central bank intervene in the foreign exchange rate?
- Q7). If an FDI withdrawal of US \$ 800 billion has taken place, what will be the effect on the on RS-\$ exchange rate? Explain with the help of diagram.
- Q8). GDP growth rate in India for the last few years is more than 6% but still more than 28% of population is lying below poverty line. Explain any two factors responsible for it.
- Q9). In the situation of inflation credit creation by commercial bank is beneficial for the bank but it explain its negative impact on economy?
- Q10). In Indian market, money supply is the reason of rising price level. Explain any one measure of central bank to control money supply?
- Q11). Why is the use of money more convenient for exchange than barter system. Explain?
- Q12). Suppose all the customers of a commercial bank demand for their deposits at the same time then how does central bank help to commercial bank in this situation.
- Q13). Why do all the compensation in form of money than toys more convenient to an employee working in toy manufacturing factory?
- Q14). Excess money supply is necessary for rapid economic development but it creates inflationary situation. Write any two fiscal measures to control inflationary situation.
- Q15). Saving provides economics security in future but why it is not good from the viewpoint of

investment multiplier?

Q16). Why do the consumption expenditure of involuntary unemployed worker not zero, even at zero level of income?

Q17). What impacts will be on economy when there is planned investment is less than planned saving? What steps should be taken by the govt to maintain equilibrium in the economy.

Q18). Increase in money supply is an effective measure to control economic depression but it creates the burden of borrowing on economy. Explain any two measures by which economic depression can be controlled even in the situation of increase in money supply.

Q19). In India unemployment is a major problem, if aggregate demand is equal to aggregate supply, can it be called a situation of equilibrium?

Q20). In India a majority of population is lying below poverty line due to inequality of 'Income and Wealth'. How can budget be helpful in solving this problem?

Q21). There has been consistent rise in prices of fruits and vegetables in Delhi for sometimes. Which measures of budget will you support to reduce the prices of these commodities?

Q22). Budget deficit creates disequilibrium in every economy but in developing countries like India, why does government depend on it?

Q23). Classify following items into Revenue Expenditure and capital expenditure. Give reason for your answer.

1. Free Supply of Stationary to the students by the Govt.
2. Economic assistance given according to Ladli Scheme.
3. Expenditure on the construction of computer lab in school.
4. Expenditure on Mid-Day Meal given to students by the Govt.

Q24). Should a current account deficit be a cause for alarm? Explain.

Q25). What impact will fall on the expenditure of an American citizen who comes to India for Medical treatment if foreign exchange rate is increased?

*Economics 12 Academic Window*



# مَدْرَسَةِ دَلْهِيِّ الْخَاصَّةُ د. م. م.

## DELHI PRIVATE SCHOOL L.L.C.

Affiliated to C.B.S.E., DELHI

(Approved & Recognized By Ministry of Education - United Arab Emirates)

### PREBOARD EXAMINATION (2022-2023) SET 1

Subject: Economics	Max. Marks: 80 Time: 3 Hours
Grade: 12	

Name:	Section:	Roll No:
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**General Instructions:**

- This question paper consists of \_\_\_\_\_ printed pages.
- All answers to be written in the answer sheet provided.

#### SECTION A: MACROECONOMICS

1.	An example of a stock variable is:			1
	a) Sale of cars during the first quarter of 2015	b)	Number of tyres kept in the warehouse as of 2 March 2015	
	c) Interest paid to the bank on a loan	d)	Monthly water bill paid by a household	
2.	Define capital formation.			1
3.	If the ex-ante investments is greater than ex-post investment, then it implies that there is			1
	a) Unplanned investments	b)	Planned investments	
	c) Unplanned disinvestments	d)	Both b and c	
4.	Demand deposits of a bank include			1
	a) Cash deposits only	b)	Secondary deposits only	
	c) Derivative deposits only	d)	Primary deposits and secondary deposits only.	

#### OR

1.	Demand deposits created by the commercial banks are called _____.			1
	a) High powered money	b)	Time deposits	
	c) Inter – bank deposits	d)	Bank money	
5.	Average propensity to Consume can never be			1
	a) Positive	b)	Zero	
	c) More than one	d)	Less than 1	
6.	Suppose in an imaginary economy GDP at market price in a particular fiscal year was Rs. 4000 crores, national income was Rs.2500 crores, net factor income paid by the economy to the rest of the world was Rs. 400 crores and the value of net indirect taxes is Rs. 450 crores. Estimate the value of consumption of fixed capital for the economy.			1
7.	Breakeven level of income is Rs. 1000 and MPC is equal to 0.6. The level of saving corresponding to autonomous consumption is :			1
	a) 400	b)	(-) 400	

	a) 400 c) 600	b) (-) 400 d) (-) 600	
8.	In a government budget revenue deficit is Rs. 50000 crores and borrowings are Rs. 75000 crores and interest on borrowings is Rs. 10000. How much is the fiscal deficit?		1
9.	What is meant by Escheat?		1
10.	_____ is a revenue receipt of the government.		1
	a) Funds raised by the government by issuing National Savings Certificate c) Profits of LIC a public enterprise	b) Sale of 40% shares of a public undertaking to a private enterprise. d) Amount borrowed from Japan for construction of Bullet train	
11.	a. Given nominal income, how can we find real income? b. Explain how 'non-monetary exchanges' are a limitation of the gross domestic product as an indicator of economic welfare.	<b>OR</b>  Suppose a country produces only one good A and its output during the years 2020 and 2021 was 100 units and 110 units respectively. The market price of the commodity during the years 2020 and 2021 were Rs. 50 and Rs. 55 per unit respectively. (i) Find out the percentage change in real GDP and nominal GDP for the year 2021. (ii) Find GDP deflator for the years 2020 and 2021 (in percentage terms) and infer the results.	3
12.	State whether the following statements are true or false. Justify your answer. a. If the LRR is 20% and the primary deposit is Rs. 500, then the money created by banks is Rs. 1000 b. A rise in the repo rate will increase the credit flows to the automobile sector.		3
13.	'Inventories accumulate when planned investment is less than planned saving. Is the statement true or false? Give reason in support of your answer.'		4
14.	Explain the function of bank of issue by the central bank.		4
15.	a. 'A large fiscal deficit leads to a higher revenue deficit in future'. Do you agree with the statement? Give reasons to support your answer. b. What will be the effect of deficit budget on the aggregate demand?	<b>OR</b>  State giving reasons, whether the following statements are true or false: a. Fiscal deficit indicates total borrowing requirements of the government. b. Primary deficit equals revenue deficit less interest payments	4 2.4
16.	a. Giving reasons, explain how the following should be treated in estimating gross		6

	<p>domestic product at market price:</p> <ul style="list-style-type: none"> <li>(i) Fees paid to a mechanic by a firm</li> <li>(ii) Interest paid by an individual on a car loan taken from a bank</li> <li>(iii) Income from sale of shares.</li> </ul> <p>b. Calculate Net Domestic Product at factor Cost:</p> <table border="1"> <thead> <tr> <th>S. No.</th><th>Items</th><th>Rs. In crores</th></tr> </thead> <tbody> <tr><td>(1)</td><td>Private Final Consumption expenditure</td><td>8000</td></tr> <tr><td>(1)</td><td>Govt final consumption expenditure</td><td>1000</td></tr> <tr><td>(ii)</td><td>Exports</td><td>70</td></tr> <tr><td>(iii)</td><td>Imports</td><td>120</td></tr> <tr><td>(iv)</td><td>Annual allowance for wear and tear of capital stock</td><td>60</td></tr> <tr><td>(v)</td><td>Fixed business investment</td><td>300</td></tr> <tr><td>(vi)</td><td>Residential investment</td><td>200</td></tr> <tr><td>(vii)</td><td>Change in stock</td><td>100</td></tr> <tr><td>(viii)</td><td>Factor income to abroad</td><td>40</td></tr> <tr><td>(ix)</td><td>Factor income from abroad</td><td>90</td></tr> <tr><td>(x)</td><td>Net product taxes</td><td>400</td></tr> <tr><td>(xi)</td><td>Net production taxes</td><td>250</td></tr> </tbody> </table>	S. No.	Items	Rs. In crores	(1)	Private Final Consumption expenditure	8000	(1)	Govt final consumption expenditure	1000	(ii)	Exports	70	(iii)	Imports	120	(iv)	Annual allowance for wear and tear of capital stock	60	(v)	Fixed business investment	300	(vi)	Residential investment	200	(vii)	Change in stock	100	(viii)	Factor income to abroad	40	(ix)	Factor income from abroad	90	(x)	Net product taxes	400	(xi)	Net production taxes	250	
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17.	<p>a. In an economy, the consumption function is <math>C = 50 + 0.9Y</math> and the initial investment is Rs. 20 crores. Calculate:</p> <ul style="list-style-type: none"> <li>(i) Equilibrium level of income</li> <li>(ii) Break-even level of income</li> <li>(iii) What is the level of saving required by the economy to move from break-even level to equilibrium level of income?</li> </ul> <p>b. State whether the following is true or false, giving reasons:</p> <ul style="list-style-type: none"> <li>(i) The investment multiplier can have a value between zero and one.</li> <li>(ii) If the MPC is double the MPS, the value of investment multiplier will be 2.</li> <li>(iii) In a situation of deficient demand, the central bank decreases reverse repo rate.</li> </ul>	6																																							
<b>SECTION B: INDIAN ECONOMICS</b>																																									
18.	The British rule led to the collapse of India's <u>world famous</u> handicraft industries. What was its effect on Indian Economy?	1																																							
	<p>a) Massive unemployment in India</p> <p>b) Increasing imports of cheap manufactured goods from Britain</p> <p>c) Both (a) and (b)</p> <p>d) Neither (a) nor (b)</p>																																								
19.	Arrange the following events of India before the Independence in chronological order:	1																																							
	<p>(iv) The opening of <u>Suez canal</u></p> <p>(v) Introduction of railways</p> <p>(vi) Second stage of demographic stage</p> <p>(vii) Incorporation of Tata Iron and Steel Company</p> <p>a) (i), (ii), (iii), (iv)</p> <p>b) (ii) (i), (iii), (iv)</p> <p>c) (ii) (i) (iv) (iii)</p> <p>d) (iii)(ii)(i) (iv)</p>																																								



33.	<b>Answer both (a) and (b)</b> a. What were the steps taken towards privatisation in 1991? b. During the reforms, growth of agriculture has gone down. Explain. <b>OR</b> <b>Answer both (a) and (b)</b> a) Discuss any one step taken by the government to improve agricultural marketing system in <u>India</u> b) How have Self Help groups contributed to the rural credit system in India	6
34.	<b>Answer both (a) and (b)</b> a. 'The expansion and promotion of the rural banking sector has taken a backseat after reforms.' Explain how? b. Give short notes on <u>TANVA</u> <b>OR</b> <b>Answer both (a) and (b)</b> a. 'There is a need to increase credit facilities to the fishing community in India.' Analyse the status and the problems faced by Fisheries in India. b. Give short notes on <u>KUDUMBASHREE</u>	6

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## PREBOARD 1 (2022-2023) SET 1

Subject: Economics Grade: 12	Max. Marks: 80 Time: 3 Hours
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Name:	Section:	Roll No.:
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**General Instructions:**

- This question paper consists of        printed pages.
- All answers to be written in the answer sheet provided.

**SECTION A: MACROECONOMICS**

1.	Positive externalities tend to _____ (overestimate/ underestimate/ have no impact on) welfare and _____ (overestimate/ underestimate/ have no impact on) the calculation of National Income.”			1
2.	“Car purchased is always a final goods”. True or False? Justify			1
3.	Which of the following is a flow variable?			1
	a) Interest on capital	b)	Wealth	
	c) Population	d)	Distance between Dubai and Abu Dhabi	
4.	What is High Powered Money <b>OR</b> Define Money <u>supply</u>			1
5.	Read the following statement - Assertion (A) and Reason (R). Choose one of the correct alternatives given below:  Assertion (A): When Aggregate supply (AS) is less than Aggregate Demand (AD), AS adjusts itself to AD Reason (R): When AS < AD, Savings is less than <u>investment</u> Alternatives: a) Both Assertion (A) and Reason (R) are <u>true</u> and Reason (R) is the correct explanation of Assertion (A). b) Both Assertion (A) and Reason (R) are <u>true</u> and Reason (R) is not the correct explanation of Assertion (A). c) Assertion (A) is <u>true</u> but Reason (R) is false. d) Assertion (A) is <u>false</u> but Reason (R) is true.			1
6.	Define Aggregate Demand			1
7.	“Governments across nations are too <u>much worried</u> about the term fiscal deficit”. Do you think that fiscal deficit is necessarily inflationary in nature? Support your answer with a valid reason.			1

*Economics 12 Academic Window*

8.	(Choose the correct alternative) is a revenue receipt of the government. a) Funds raised by the government by issuing National Saving Certificates b) Sale of 40% shares of a public sector undertaking to a private enterprise c) Profits of LIC, a public enterprise d) Amount borrowed from Japan for construction of Bullet Train.	1																											
9.	Capital expenditure reduces capital stock of the government. True or False. Justify	1																											
10.	Which one of the following is a direct tax? a) Sales Tax b) Entertainment Tax c) Gift Tax d) Service Tax	1																											
11.	Explain how Real flows are opposite to Money flows in a two-sector closed <u>economy</u> . <b>OR</b> “Supply side constraints due to Ukraine war have caused inflationary pressures in all the economies of the world”. Explain how this will affect an economy’s Real GDP and Nominal GDP. Use a numerical example to justify your answer. Which measure will be better to compare growth of the economy?	3																											
12.	Explain the role of Central Bank as the Banker to the Government	3																											
13.	Using a numerical example, elaborate on the credit creation process and handled by the commercial <u>banks</u>	4																											
14.	Ans both parts (a) and (b) a) Discuss how the Government uses its budget in reducing income <u>inequalities</u> . b) Does revenue deficit imply a fiscal deficit also? Justify  <b>OR</b> Calculate income from Tax revenue from the following data of Government Budget	2,2																											
	<table border="1"> <thead> <tr> <th>S. No</th> <th>Particulars</th> <th>Rs. In crores</th> </tr> </thead> <tbody> <tr> <td>(i)</td> <td>Sale of shares (Disinvestment)</td> <td>100</td> </tr> <tr> <td>(ii)</td> <td>Revenue expenditure</td> <td>960</td> </tr> <tr> <td>(iii)</td> <td>Interest payment</td> <td>800</td> </tr> <tr> <td>(iv)</td> <td>Non-tax revenue</td> <td>260</td> </tr> <tr> <td>(v)</td> <td>Capital expenditure</td> <td>1300</td> </tr> <tr> <td>(vi)</td> <td>Recovery of loans</td> <td>70</td> </tr> <tr> <td>(vii)</td> <td>Tax revenue</td> <td>?</td> </tr> <tr> <td>(viii)</td> <td>Primary deficit</td> <td>190</td> </tr> </tbody> </table>	S. No	Particulars	Rs. In crores	(i)	Sale of shares (Disinvestment)	100	(ii)	Revenue expenditure	960	(iii)	Interest payment	800	(iv)	Non-tax revenue	260	(v)	Capital expenditure	1300	(vi)	Recovery of loans	70	(vii)	Tax revenue	?	(viii)	Primary deficit	190	4
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15.	a) “Explain the working process of how an increase in investment by Rs 1,000 will impact national income, given that 50% of additional income in the economy is saved”. b) In the above example, if the MPC in the economy increases to 80% how will it impact national income?	3, 1																											

*Economics 12 Academic Window*

16.	<p><b>Answer both part (a) and (b)</b></p> <p>(a) Calculate Gross National Product at market price from the following data:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; padding: 5px;">S. No</th><th style="text-align: center; padding: 5px;">Particulars</th><th style="text-align: center; padding: 5px;">Rs In Crores</th></tr> </thead> <tbody> <tr> <td style="padding: 5px;">i.</td><td style="padding: 5px;">Wages and salaries paid to Government employees</td><td style="padding: 5px; text-align: right;">850</td></tr> <tr> <td style="padding: 5px;">ii.</td><td style="padding: 5px;">Net Domestic Fixed Capital formation</td><td style="padding: 5px; text-align: right;">310</td></tr> <tr> <td style="padding: 5px;">iii.</td><td style="padding: 5px;">Profits</td><td style="padding: 5px; text-align: right;">20</td></tr> <tr> <td style="padding: 5px;">iv.</td><td style="padding: 5px;">Closing Stock</td><td style="padding: 5px; text-align: right;">100</td></tr> <tr> <td style="padding: 5px;">v.</td><td style="padding: 5px;">Goods and services tax</td><td style="padding: 5px; text-align: right;">100</td></tr> <tr> <td style="padding: 5px;">vi.</td><td style="padding: 5px;">Opening stock</td><td style="padding: 5px; text-align: right;">160</td></tr> <tr> <td style="padding: 5px;">vii.</td><td style="padding: 5px;">Subsidies</td><td style="padding: 5px; text-align: right;">50</td></tr> <tr> <td style="padding: 5px;">viii.</td><td style="padding: 5px;">Goods and services purchased by the government</td><td style="padding: 5px; text-align: right;">20</td></tr> <tr> <td style="padding: 5px;">ix.</td><td style="padding: 5px;">Compensation of employees</td><td style="padding: 5px; text-align: right;">200</td></tr> <tr> <td style="padding: 5px;">x.</td><td style="padding: 5px;">Net imports</td><td style="padding: 5px; text-align: right;">10</td></tr> <tr> <td style="padding: 5px;">xi.</td><td style="padding: 5px;">Private Final Consumption expenditure</td><td style="padding: 5px; text-align: right;">1500</td></tr> <tr> <td style="padding: 5px;">xii.</td><td style="padding: 5px;">Net Factor income to abroad</td><td style="padding: 5px; text-align: right;">10</td></tr> <tr> <td style="padding: 5px;">xiii.</td><td style="padding: 5px;">Depreciation on Capital stock of Rs 400 to be calculated (@10% per annum)</td><td style="padding: 5px;"></td></tr> </tbody> </table> <p>(b) How will the following be treated in calculation of national income?</p> <ul style="list-style-type: none"> <li>(i) Fees to a lawyer paid by a firm</li> <li>(ii) Salaries paid to residents of Japan working in Indian embassy in Japan</li> <li>(iii) Purchase of furniture by a firm</li> </ul>	S. No	Particulars	Rs In Crores	i.	Wages and salaries paid to Government employees	850	ii.	Net Domestic Fixed Capital formation	310	iii.	Profits	20	iv.	Closing Stock	100	v.	Goods and services tax	100	vi.	Opening stock	160	vii.	Subsidies	50	viii.	Goods and services purchased by the government	20	ix.	Compensation of employees	200	x.	Net imports	10	xi.	Private Final Consumption expenditure	1500	xii.	Net Factor income to abroad	10	xiii.	Depreciation on Capital stock of Rs 400 to be calculated (@10% per annum)		3,3
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17.	<p>Read the following news report and answer the question on the basis of the same:  <i>"The COVID-19 pandemic has severely dented the demand for non-essential or discretionary goods, creating deflationary conditions. This is because demand especially for non-essential or discretionary goods and services has gone down significantly. Therefore, the government is planning a stimulus package to aid recovery."</i></p> <p>Explain the Keynesian concept referred to in the above article. Use Diagram. Also give any two measures that the government can take to rectify this situation.</p> <p><b>OR</b></p> <p>State whether the following statements are true or false. Give reasons:</p> <ul style="list-style-type: none"> <li>a) Excess demand at full employment causes a rise in the Real GDP of a country</li> <li>b) At very low levels on income, Marginal propensity to consume is greater than one</li> <li>c) Calculate breakeven level of income and equilibrium level of income in the economy if <math>C = 500 + 0.9Y</math> and investment expenditure = Rs 3000</li> </ul>	6																																										

SECTION B: INDIAN ECONOMICS												
18.	When was India's first official census operation <u>undertaken</u>		1									
19.	India entered the ..... stage of Demographic Transition after the year 1921. (Choose the correct alternative)		1									
	a) First	b) Second										
	c) Third	d) Fourth										
20.	_____ is considered as the architect of New Economic policy.		1									
	a) P Chidambaram	b) Arun Jaitley										
	c) Nirmala Sitharaman	d) Dr. Manmohan Singh										
21.	India <u>recognised</u> the importance of human capital in economic growth in the _____ Five Year Plan		1									
	a) Fourth	b) Fifth										
	c) Sixth	d) Seventh										
22.	What is Jobless Growth?		1									
23.	In India, _____ sector is the largest employer, while _____ sector is the largest income generator		1									
	a) Secondary, Tertiary	b) Primary, secondary										
	c) Primary, Tertiary	d) Tertiary, Primary										
24.	The _____ Commission <u>emphasises</u> on protecting the future <u>generation</u>		1									
25.	Define Sustainable Development		1									
26.	State any two opportunity costs of negative environmental <u>impact</u> OR What is meant by demand supply reversal		1									
27.	Introduction of economic reform in Pakistan took place in _____ (Choose the correct alternative)		1									
	a) 1978	b) 1980										
	c) 1988	d) 1991										
28.	Discuss briefly, how institutional reforms (land reforms) have played a significant role in transforming Indian <u>agriculture</u> OR Critically appraise some of the shortfalls of the industrial policy pursued by the British colonial administration.		3									
29.	Compare and analyze the given data of India and China, with valid reasons. <table border="1"> <thead> <tr> <th>Country</th><th>Annual Growth Rate of Population (2015)</th><th>Gender Ratio (Per thousand males)</th></tr> </thead> <tbody> <tr> <td>India</td><td>1.2%</td><td>926</td></tr> <tr> <td>China</td><td>0.5%</td><td>941</td></tr> </tbody> </table>		Country	Annual Growth Rate of Population (2015)	Gender Ratio (Per thousand males)	India	1.2%	926	China	0.5%	941	3
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	Source: World development Indicators,2015											

30.	Discuss the following as a source of human capital formation (i) Health infrastructure (ii) On the Job training	2,2																														
31.	Answer both parts (i) and (ii). Discuss the following: (i) Why are less women found in regular <u>salaried employment</u> ? (ii) Define Worker Population ratio. What is its significance?  <b>OR</b> Answer both parts (a) and (b) (iii) State any 2 advantages of formal sector <u>employment</u> . (iv) Analyse the trends in employment based on the information given below:	4																														
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32.	Write a short note on the Great Leap forward	4																														
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34.	"In 2003, UN Secretary-General Kofi Annan noted that 'The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance.'" Critically evaluate the role of the rural banking system in the process of rural development in India.  <b>OR</b> <i>Answer both (a) and (b)</i> <ul style="list-style-type: none"> <li>a) Role of Information Technology (IT) in achieving sustainable development and food security in the twenty-first century</li> <li>b) Benefits of Organic Farming</li> </ul>	6																														
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**ALL THE BEST**

