



FIRST TERM EXAMINATION (2021-22)

Subject: Economics

Max. Marks: 40 marks

Grade: XII

Time: 90 mins

Name:

Section:

Roll No:

GENERAL INSTRUCTIONS:

1. There are a total 60 questions in this paper out of which 50 questions are to be attempted.
2. This paper is divided into three Sections:
 - a. Section A – Contains 24 questions. Attempt any 20 questions.
 - b. Section B – Contains 24 questions. Attempt any 20 questions.
 - c. Section C – Contains 12 questions. Attempt any 10 questions.
3. All questions carry equal marks.

SECTION A (20 questions out of 24 questions are to be attempted)

1. If the reserve ratio is 20% and the primary deposits are Rs. 100crs, the total lending by the banking system will be
 - a. Rs. 7 crs
 - b. Rs. 8 crs
 - c. Rs. 9 crs
 - d. Rs. 10 crs
2. Money that is issued by the authority of the government is called:
 - a. Full bodied money
 - b. Credit Money
 - c. Fiat Money
 - d. Fiduciary Money
3. Supply of money is a:
 - a. Flow variable
 - b. Stock variable
 - c. Real flow
 - d. Money flow
4. Read the following statements carefully and choose the correct alternatives given below:
Statement 1: In India, coins are issued by Reserve Bank of India
Statement 2: All currency notes are issued by Ministry of Finance
Alternatives:
 - a. Both the statements are true
 - b. Both the statements are false.
 - c. Statement 1 is true, and Statement 2 is false
 - d. Statement 2 is true, and Statement 1 is false
5. Progressive tax is a tax which is
 - a. Charged at a decreasing rate when income of the individual increases
 - b. Charged at an increasing rate when income of the individual increases
 - c. Charged at an increasing rate when the income of the individual decreases
 - d. A fixed percentage of an individual income
6. Revenue earned by the government from the property without any legal heir is called:
 - a. donation
 - b. Wealth tax
 - c. Escheat
 - d. forfeiture
7. Read the following statements and choose the correct alternative:
Statement 1: Borrowings are capital receipts but payment of interest on borrowings are revenue

expenditure.

Statement 2: Borrowings creates liability, but payment of interest reduces liability.

Alternatives:

- a. Both the statements are true
 - b. Both the statements are false.
 - c. Statement 1 is true, and Statement 2 is false
 - d. Statement 2 is true, and Statement 1 is false
8. Pension payment is an example of
- a. Plan expenditure
 - b. Revenue expenditure
 - c. Capital expenditure
 - d. Non- plan expenditure
9. If \$ 2 = Rs. 160, then \$ _____ (approximately) would be needed to exchange Rs. 2,00,000. (Fill in the blank by choosing the correct alternative)
- a. 2,400
 - b. 1,250
 - c. 2,500
 - d. 1,520
10. Which of the following is likely to happen if there is appreciation of US Dollars?
- a. US imports will increase
 - b. US exports will increase
 - c. Demand for US dollar will decrease
 - d. US goods will become cheaper in international market
11. The categories of transactions that are included in current account of Balance of Payments are:
- a. Exports and imports of goods
 - b. (a) + Exports and imports of services
 - c. (b) + Income from and to abroad
 - d. (d) + Transfers from and to abroad
12. Statement 1: Government announced 'Make in India' campaign' to encourage inflow of foreign capital.
- Statement 2: Imports of goods and services leads to increase in demand for foreign currency
- a. Both the statements are true
 - b. Both the statements are false.
 - c. Statement 1 is true, and Statement 2 is false
 - d. Statement 2 is true, and Statement 1 is false
13. From the set of statements given in the Column I and Column II, choose the correct pair of statements:
- | 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 payment |
| (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 |
- a. A- (i)
 - b. B – (ii)
 - c. C – (iii)
 - d. D – (iv)
14. What was the condition of India's foreign trade under British rule?
- a. Surplus on account of foreign trade
 - b. Deficit on account of foreign trade
 - c. Net exporter of finished goods reproduced by British India
 - d. Net importer of raw materials
15. Which of the following is not an indicator of education level?
- a. Years of schooling
 - b. Life expectancy
 - c. Teacher-pupil ratio
 - d. Enrollment rate

16. Statement 1: Industry provides employment which is more stable than the employment in Agriculture and it also promotes modernization and overall prosperity.
Statement 2: Economists have found that poor nations can progress only if they progress in agricultural sector as the population is mostly dependent on agriculture
- Both the statements are true
 - Both the statements are false.
 - Statement 1 is true, and Statement 2 is false
 - Statement 2 is true, and Statement 1 is false
17. Match the following:
- | Column I | Column II |
|-------------------------|------------|
| A. Demonetization | (i) 1950 |
| B. Planning Commission | (ii) 2015 |
| C. NITI Aayog | (iii) 1951 |
| D. First five-year plan | (iv) 2016 |
- A- (i), B- (ii), C (iii) , D (iv)
 - A- (ii), B (i), C- (iv) D (iii)
 - A- (iv), B (i), C- (ii) D (iii)
 - A(iv), B(i), C(iii) D (ii)
18. Schedule C industries development were left to _____.
- Public sector
 - Private sector
 - Both (a) and (b)
 - None of these
19. Statement 1: Government spends less on elementary education – Elementary education takes a lesser share and share of higher /tertiary institutions are the highest.
Statement 2: ‘Expenditure per student’ on education in tertiary is higher than elementary education
- Both the statements are true
 - Both the statements are false.
 - Statement 1 is true, and Statement 2 is false
 - Statement 2 is true, and Statement 1 is false
20. Choose the right sequence of the following in chronological order:
- | |
|--|
| A. Education Commission |
| B. Right to Education Act |
| C. Study Group formed by Planning Commission for Poverty |
| D. Tapas Majumdar Commission |
- A, B, C, D
 - B, C, D, A
 - C, A, D, B
 - D, A, B, C
21. _____ mainly aims at creating employment opportunities – both self-employment and wage employment – in urban areas
- Rural Employment Generation Programme (REGP)
 - Prime Minister’s Rozgar Yojana
 - Swarna Jayanti Shahri Rozgar Yojana (SJSRY)
 - Swarna Jayanti Gram Swarozgar Yojana (SGSY)
22. The approach to reduce poverty through specific poverty alleviation programmes has been initiated from the _____.
- Second Five Year Plan
 - Third Five Year Plan
 - Fifth Five year Plan
 - Seventh Five Year Plan

23. Economists identify the poor on the basis of their _____ and ownership of assets.
- | | |
|----------------|--------------------|
| a. Income | b. Occupation |
| c. Expenditure | d. Living Standard |

24. Repo rate relates to
- | | |
|--|---|
| a. Short Term borrowings by commercial banks | b. Long term borrowings by commercial banks |
| c. Disinvestments | d. Dissaving |

SECTION B (20 questions out of 24 questions are to be attempted)

25. Economic Times reported “The coronavirus, which has struck in two waves, has killed hundreds of thousands of people and at times has brought cities to a halt. Infections and deaths have eased, and the country is returning to work. Economists predict that growth could surge in the second half of the year on paper.” In such a situation, what would the RBI likely to do to combat the recession:
- | | |
|------------------------------------|---------------------------|
| a. Bank rate needs to be raised | b. CRR needs to be raised |
| c. Reverse Repo rate to be lowered | d. Repo rate to be raised |
26. Assertion (A)-Credit is created in the economy by the Central Bank.
Reason (R)- Commercial banks are the secondary money suppliers.
Alternatives:
- | | |
|---|---|
| a. both (A) & (R) both are true and (R) is correct explanation of (A) | b. both (A) & (R) both are true and (R) is not correct explanation of (A) |
| c. (A) is true but (R) is false | d. (A) is false but (R) is true |
27. Total deposits created by commercial banks is Rs. 12000 crs and LRR is 20%. The initial amount of deposits are :
- | | |
|-----------------|-----------------|
| a. Rs. 6000 crs | b. Rs.4000 crs |
| c. Rs. 5000 crs | d. Rs. 3000 crs |
28. Deposit creation by banks comes to an end when_____. (fill in the blanks)
- | | |
|---|--|
| a. Fresh deposits with banks becomes zero | b. Legal Reserve Ratio becomes zero |
| c. Money multiplier becomes zero | d. Total reserves equal initial deposits |
29. Assertion (A): Appreciation of domestic currency means a rise in the price of domestic currency
Reason (R): Appreciation leads to increase in exports.
- | | |
|---|--|
| a. Both Assertion (A) and Reason (R) are true, (R) is correct explanation of (A). | b. Both Assertion (A) and Reason (R) are true but (R) is not correct explanation of (A). |
| c. Assertion (A) is true, and Reason (R) is false. | d. Assertion (A) is false, and Reason (R) is true. |
30. Assertion (A): India’s current account balance (CAB) recorded a surplus of US\$ 19.8 billion (3.9% of GDP) in Q1 of 2020-2021.
Reason (R): There has been a steeper decline in merchandise imports relative to exports in past few years.
- | | |
|---|--|
| a. Both Assertion (A) and Reason (R) are true, (R) is correct explanation of (A). | b. Both Assertion (A) and Reason (R) are true but (R) is not correct explanation of (A). |
| c. Assertion (A) is true, and Reason (R) is false. | d. Assertion (A) is false, and Reason (R) is true. |

- | Column I | Column II |
|----------------------------|--------------------------------|
| A. Current Account surplus | (i) Receipts < Payments |
| B. Current Account surplus | (ii) Receipts > Payments |
| C. Balance current account | (iii) Receipts \neq payments |
| D. Current Account Deficit | (iv) Receipts \leq Payments |

- | Column I | Column II |
|---------------------------------------|---|
| A. Karve Committee | (i) Encourage farmers to adopt new HYV Technology |
| B. Industrial Policy Resolution, 1956 | (ii) Using small scale industries to promote rural development |
| C. Import Substitution policy | (iii) To protect domestic industries from foreign competition |
| D. New Agricultural Strategy | (iv) To regulate private sector through a system of licensing to promote regional equality. |

- 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
43. People who are always poor and those who are usually poor but who may sometimes have a little more money are grouped together as the _____.
- a. Chronic poor b. Churning poor
- c. Occasionally poor d. Transient Poor
44. Assertion (A): It is difficult to prove cause and effect relation between human capital and economic growth
Reasoning (R): Health services measured in monetary terms, life expectancy and mortality rates may not reflect the true health status of the people in the country
- 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
45. Assertion (A): Expenditure on migration is a source of human capital formation.
Reasoning (R): The enhanced earnings in the new place outweigh the costs of migration.
- 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
46. _____ represents labour productivity which is an acquired ability and outcome of deliberate investment decisions with expectations of increasing future incomes.
- a. Human capital b. Human development
- c. Both (a) and (b) d. Human Development Index
47. Assertion (A): While the nation had immensely benefited from the green revolution, the technology involved was not free from risks.
Reasoning (R): Government provided loans at a low rate of interest to small farmers and subsidized fertilisers
- 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
48. Which of the following is the primary objective of economic planning in India?
- a. Abolition of poverty b. Removing unemployment
- c. Growth with social justice d. Reducing inequality of income

SECTION (10 questions out of 12 questions are to be attempted)

The government can finance the deficit through disinvestment of public sector undertakings. Based on this strategy, Union finance minister Nirmala Sitharaman who launched the National Monetisation Pipeline said that the National Monetisation Pipeline will be 'coterminous' with the

National Infrastructure Pipeline which was launched in 2019, for a four-year period between 2022 and 2025 fiscal year. The pipeline would cover a wide array of sectors, including road and railway assets, airports, power transmission lines and gas pipelines. Sitharaman made it clear that the assets would not be sold to the private sector but will only be given to them for their better utilisation.

“The ownership of the assets will remain with the government. There is a mandatory hand back rule,” the finance minister said, even as she clarified that the national monetisation pipeline focusses on brownfield assets where investment has already been made and it is ‘languishing’ or ‘under-utilised’.

The finance ministry said that the pipeline of the government’s assets covers about 14% of the National Infrastructure Pipeline, which is roughly ₹6 lakh crore. The top three sectors by value which will come under this pipeline are roads, railways and power. The government is also looking at the aviation, shipping, coal mining, mineral mining, natural gas sectors, sports, urban real estate, petroleum products and pipelines and warehousing assets.

Consider the following hypothetical figures of some the revenues and expenditure of the government: Tax revenue is Rs. 1000 crores, Non- Tax Revenue is Rs. 150 crores, Net borrowings of the government is Rs. 780 crores, disinvestment proceeds Rs. 50 crs, Revenue expenditure is Rs. 1500 crores and Capital expenditure is Rs. 480 crs.

49. From the figures given above, the revenue deficit of the government would be :
 - a. Rs. 350 crs
 - b. Rs. 300 crs
 - c. Rs. 450
 - d. Rs. 400 crs
50. What objective of the government budget has been high lighted in the above mentioned passage?
 - a. Reallocation of resources
 - b. Redistribution of resources
 - c. Price stability
 - d. Managing public sector enterprises
51. The fiscal deficit of the government would be :
 - a. Rs. 480
 - b. Rs. 780
 - c. Rs. 730 crs
 - d. Rs. 1980 crs
52. Assertion (A): There can be a fiscal deficit without a revenue deficit
Reasoning (R) : Revenue deficit is a part of fiscal deficit
 - 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
53. National Infrastructure Pipeline policy to build infrastructure covering various sectors is
 - a. Revenue receipt
 - b. Capital receipt
 - c. Revenue expenditure
 - d. Capital expenditure
54. Assertion (A): Borrowings are capital receipts but payment of interest on borrowings are revenue expenditure.
Reason (R): Borrowings creates liability, but payment of interest does not reduce liability.
 - 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

This July marks the 30th anniversary of the historic economic reforms in India. Since July 1, experts across the country have been speaking and writing about the 1991 economic reform story. The year 1991 is a milestone in the history of independent India. The country was facing an acute economic crisis, which was triggered by an increase in world crude oil prices. The balance of payments (BoP) situation became unmanageable. There was a sharp reduction in the forex reserve due to a sharp decline in capital inflows. It was a serious threat to the sustainability of the growth process. India was close to default.

To counter the liquidity problem, the government ushered in policy reforms aimed at speeding up the pace of economic growth. The reforms began with the devaluation of the rupee on July 1, 1991, followed by a second round of transfer of a total of 46.91 tonnes of gold from the reserve assets of the RBI in Mumbai to the Bank of England, which enabled India to borrow \$400 million to solve its liquidity problems. The economic reform initiated in 1991, followed by further measures undertaken by successive governments, have helped our country emerge as one of the fastest growing economies in the world.

55. Liberalisation implies:

- | | |
|----------------------------------|---|
| a. greater role of public sector | b. reduction in governments control over the private sector |
| c. free economy with no controls | d. Selling of public sector to private sector |

56. Assertion (A): Outsourcing is the outcome of globalisation in India

Reasoning (R): The strategies adopted under globalisation has given greater access to global markets

- | | |
|---|--|
| 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 |

57. Reforms to introduce Goods and services taxes is a

- | | |
|------------------------------|-------------------------------|
| a. Financial sector reforms | b. Fiscal sector reform |
| c. Industrial sector reforms | d. Agricultural sector reform |

58. Statement 1: During the reforms period, the industrial sector witnessed higher level of growth than the agriculture and service sector.

Statement 2: Cheaper imports replaced the demand for domestic goods.

- | | |
|--|--|
| a. Both the statements are true | b. Both the statements are false. |
| c. Statement 1 is true, and Statement 2 is false | d. Statement 2 is true, and Statement 1 is false |

59. Which of the following is not a component of privatisation?

- | | |
|----------------------------------|--|
| a. Contraction of public sector | b. Disinvestment in public sector enterprises |
| c. Sale of public sector's share | d. Purchase of industrial shares by the government |

60. Which of the following industries were reserved for public sector under the deregulation of Industrial sector in 1991?

- | | |
|---|--|
| a. Alcohol, cigarettes, hazardous chemicals | b. Industrial explosives, aerospace and drugs and pharmaceuticals. |
| c. Defence equipments, atomic energy generation and railway transport | d. All of the above |
