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| **B** | | | |
| **PB/ECAK/1220/A 09/10/2020** | | | |
| **PRE-BOARD EXAMINATION (2020-21)**  **ANSWER KEY** | | | |
| **SUBJECT: ECONOMICS**  **GRADE: XII** | | MAX. MARKS:80TIME: 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. | (∞)  OR  0.25 | | (1) |
| 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 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.  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 ant- social elements and leads to insecurity of the residents. | | (3)  1×3=3  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 |
| 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.  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. | | (4) |
| 14. | Y= C+I  C =C +b (Y)  Y= C +b (Y) +I  700 = 70 + 0.8 (700) +I  700 = 70+ 560 + 1  I = 700-630  I=70 | | 1½  1½  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.  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  Fiscal deficit = 235 crs  Primary deficit = 500 crs | | 2  2 |
| 16. | a)NNPmp = 1200+1000+800+(-) 20+140 -20 =Rs.3100 crs.  NNPmp = 2100+600+450+10=40=20 = 3100 crs  b)  (i) Not included. It is earned outside the domestic territory of India  (ii) Not included. Intermediate expenditure. | | (4+2)  2  1½  ½  1  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.  Following measures may be taken for the same:   1. 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. 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.   OR  a)   1. The shaded area AOB represents the dis-savings. 2. 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.  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. | | 2  2  2  1  2  1½  1½ |
|  | **PART B - INDIAN ECONOMIC DEVELOPMENT** | | |
| 18 | First Indian census -1881 | | (1) |
| 19. | a. | | (1) |
| 20. | d.  OR  Import substitution. | | (1) |
| 21. | a | | (1) |
| 22. | Population explosion | | (1) |
| 23. | Complementary | | (1) |
| 24. | Energy | |  |
| 25. | Japan | | (1) |
| 26. | a | |  |
| 27. | b. | | (1) |
| 28. | 1. 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. 2. 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.   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) | | 1½  1½  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-   1. 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. 2. 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  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 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  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.  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.   1. China allowed foreign investors hundred percent equity investment. 2. It allowed the foreign investors the freedom to ‘hire and fire’ the workers. It also offered them a lucrative infrastructure. 3. By establishing SEZ, it offered lucrative infrastructural facilities to the foreign investors. 4. China was liberal in allowing FDI in retail. | | 4  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 tread 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, poultary, 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 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)  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  3    3  3 |

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