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| **PB/EC/1220B 10/12/2020** | | | | | | |
| **PRE-BOARD EXAMINATION (2020-21)** | | | | | | |
| **SUBJECT: ECONOMICS**  **GRADE: XII** | | | MAX. MARKS:80TIME: 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.   |  |  | | --- | --- | | *Column A* | *Column B* | | 1.Money flow | a) Depreciation | | 2. Real flow | b) Factor services | | 3.Trade flow | c)Housework by housewife | | 4.Capital flow | d)Inventory | | | | | | (1) |
|  | **a.** | 1. – (a) | | **b.** | 2. – (b) |  |
|  | **c.** | 3. – (c) | | **d.** | 4. – (d) |  |
| 2. | What is meant by money supply? | | | | | (1) |
| 3. | Identify the correct pair from the column I and II.   |  |  |  |  | | --- | --- | --- | --- | |  | **Column I** |  | **Column II** | | 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 | | | | | | (1) |
|  | **a.** | A - (i) | | **b.** | B-(ii) |  |
|  | **c.** | C- (iii) | | **d.** | D – (iii) |  |
| 4. | When ex ante savings is more than ex ante investments, the the national income is likely to \_\_\_\_\_\_\_\_\_\_\_ . | | | | | (1) |
| 5. | If Marginal Propensity to Save (MPS) is equal to zero, the value of investment multiplier will be \_\_\_\_\_\_\_\_\_\_\_ (Fill in the blank with the correct answer)  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) | | | | | (1) |
| 6. | Amit was telling to Sumit about free distribution of LPG connection to the poor people.  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)** | | | | | (1) |
| 7. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_is a tax whose impact and incidence fall on the same person.  ((Fill in the blank with the correct answer) | | | | | (1) |
| 8. | **Read the following and answer Questions 8-10 based on the same:**  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 = | | | | | (1) |
|  | **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:   |  |  |  | | --- | --- | --- | | 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. | | | | | (3) |
| 12. | Where is ‘borrowings from abroad’ recorded in the Balance of Payments Accounts? Give reasons. | | | | | (3) |
| 13. | Currency is issued by the central bank, yet we say that commercial banks create money. Explain. How is this money creation by commercial banks likely to affect the national income? Explain. | | | | | (4) |
| 14. | Calculate “Investment expenditure” from the following data about an economy which is in equilibrium:  National income = 700  MPC=0.8  Autonomous consumption expenditure =70 | | | | | (4) |
| 15. | The government’s total receipts during April 2019-January 2020period of current fiscal stood at Rs 12.82 lakh crore, while total expenditure for the said period was Rs 22.68 lakh crore. *Time of India. 29th Feb 2020.*   1. How are capital receipts different from revenue receipts? 2. Give two implications of primary deficit   OR  From the following data about a government budget find(a) Revenue deficit (b) Fiscal deficit (c) Primary deficit   |  |  |  | | --- | --- | --- | | S. NO. | Item | Rs. In crore | |  | Tax revenue | 1037 | |  | Revenue expenditure | 2811 | |  | Interest receipts by government on net domestic lending | 400 | |  | Dividends and profits on investments | 600 | |  | Recovery of loans | 135 | |  | Capital expenditure | 574 | |  | Proceeds from sale of shares in PSUs | 100 | |  | Interest payments on accumulated debts | 1013 | | | | | | (4)  (4) |
| 16. | a) Calculate from the following data, net national product at market price by (i) income method (ii) expenditure method   |  |  |  |  | | --- | --- | --- | --- | | Item No. | Items | Rs. In crores | | |  | Compensation of employees( | | 1200 | |  | Mixed income of self employed | | 800 | |  | Gross fixed capital formation | | 430 | |  | Consumption of fixed capital | | 30 | |  | Employers contribution to social security schemes | | 100 | |  | Operating surplus | | 1000 | |  | Net capital formation | | 450 | |  | Exports | | 10 | |  | Imports | | 40 | |  | Indirect Taxes | | 140 | |  | Subsidies | | 30 | |  | Private Final consumption expenditure | | 2100 | |  | Government final consumption expenditure | | 600 | |  | Purchases by non-resident households in the domestic market | | 50 | |  | Net factor income to abroad | | 20 |   b) How are the following treated under domestic factor income of India?   1. Rent received by an Indian resident from the Russian Embassy in India. 2. Expenditure on engine oil by a car service station. | | | | | (3+3) |
| 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.  OR  a) Answer the following questions based on the given figure:   1. What does the shaded area AOB indicate?   (ii)What is the significance of point B?  b) Distinguish between Aggregate Demand and Aggregate Supply. | | | | | (6)  (1+2)  (3) |
|  | **PART B - INDIAN ECONOMIC DEVELOPMENT** | | | | | |
| 18. | Form the set of statements given in column A and column B, choose the correct pair of statement.   |  |  | | --- | --- | | *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 | | | | | | (1) |
|  | **a.** | 1. – (a) | | **b.** | 2. – (b) |  |
|  | **c.** | 3. – (c) | | **d.** | 4. – (d) |  |
| 19. | **Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below:**  **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. | | | | | (1) |
| 20. | The most benefitted state due to green revolution is  (Choose the correct alternative) | | | | | (1) |
|  | **a.** | Odisha | | **b.** | Kerala |  |
|  | **c.** | Bihar | | **d.** | Punjab. |  |
|  | OR  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). | | | | | (1) |
| 21. | **Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below:**  **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. | | | | | (1) |
|  | **Read, the following hypothetical Case Study, carefully and answer the question numbers 22 - 25 on the base of the same.**  Despite India's optimistic outlook and recent [stock market](https://www.investopedia.com/terms/s/stockmarket.asp) bull run, the nation still faces deep-rooted, persistent challenges in 2019.  *Population Growth*  India ranks second after China in its total population. Its [population](https://www.investopedia.com/articles/personal-finance/051415/indias-twochild-policy.asp) 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](https://www.investopedia.com/video/play/infrastructure/) in business, education, and [healthcare](https://www.investopedia.com/terms/h/health_care_sector.asp). 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. | | | | |  |
| 22. | -----------------------------(Population explosion/Illiteracy) is an important reason for poverty in India. | | | | | (1) |
| 23. | Economic and social infrastructure are ---------------------- (complementary/substitute) to each other. | | | | | (1) |
| 24. | ------------------------- (Energy/Education) is the most important component of economic infrastructure. | | | | | (1) |
| 25. | In 1997, a UN conference on climate change was held in\_\_\_\_\_\_\_\_\_\_\_\_\_\_(Geneva/Japan) | | | | | (1) |
| 26. | When was ‘one child norm’ introduced in China? | | | | | (1) |
|  | **a.** | Late 1970s | | **b.** | Late 1980s |  |
|  | **c.** | Late 1960s | | **d.** | None of these. |  |
| 27. | Arrange the following events of China in chronological order and choose the correct alternative:   1. Great Proletarian Cultural Revolution 2. Great Leap Forward campaign 3. Introduction of Economic Reforms 4. First five-year plan Choose the correct alternative: | | | | | (1) |
|  | **a.** | ii, iv, iii, i | | **b.** | iv, ii, i, iii |  |
|  | **c.** | ii, iv, i, iii | | **d.** | iv, i, ii, iii |  |
| 28. | How does both education and health lead the nation towards higher economic growth?  OR  ‘‘Human Capital Formation gives birth to innovation, invention and technological improvements.’’ Do you agree with the given statement? Support your answer with valid arguments. | | | | | (3) |
| 29. | Critically evaluate the role of rural banking system in the process of rural development in India. | | | | | (3) |
| 30. | Discuss briefly, how institutional reforms (land reforms) have played a significant role in transforming Indian agriculture. | | | | | (4) |
| 31. | Discuss briefly the rationale behind choosing ‘Self-reliance’ as a planning objective for the Indian economy.  OR  Discuss briefly any two major steps taken by the Government of India on ‘Financial Sector’ front under the Economic Reforms of 1991. | | | | | (4) |
| 32. | Compare and analyze the given data of India and China with valid reasons:   |  |  |  | | --- | --- | --- | | 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*  *24th Sep 2020*  ‘China succeeded in attracting much greater FDI than India and Pakistan’. Discuss. | | | | | (4) |
| 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.  (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. | | | | | (3+3) |

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