

PRE-BOARD / XII / ECONOMICS / 2020-21

Time: 3 Hrs.

MM: 80

General Instructions:

1. This question paper contains two parts:
Part A - Macro Economics (40 marks)
Part B - Indian Economic Development (40 marks).
2. Marks for questions are indicated against each question.
3. Question No. 1-10 and Question No. 18 – 27 are 1 mark questions and are to be answered in one word/sentence.
4. Question No. 11-12 and Question No. 28 – 29 are 3 marks questions and are to be answered in 60 - 80 words each.
5. Question No. 13-15 and Question No. 30 – 32 are 4 marks questions and are to be answered in 80-100 words each.
6. Question No. 16-17 and Question No. 33 – 34 are 6 marks questions and are to be answered in 100-150 words each.
7. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

PART A - MACRO ECONOMICS

- Q1.** Which out of following is not correct: 1
- a. Expenditure on purchase of second-hand goods is excluded from the national income accounting.
 - b. Employees of international organizations are considered as residents of the country to which they belong.
 - c. Imputed rent of owner occupied houses is excluded from the process of national income accounting
 - d. Capital gains are excluded from the process of national income accounting
- Q2.** Money supply refers to the total volume of money held by public at a particular point of time in an economy. 1
Here the term public signify:
- a) Money creating sector
 - b) Money consuming sector
 - c) Money distribution sector
 - d) Government & banking system

- Q3.** It is legally compulsory for the banks to keep a certain minimum fraction of their deposits as reserves this is known as : 1
- Cash reserve ratio
 - Statutory liquidity ratio
 - Legal reserve ratio
 - Legal deposit ratio
- Q4.** In an economy marginal propensity to consume is 0.75. If investment expenditure is increased by rupees 500 crores . What will be the total increase in income and consumption expenditure: 1
- 2000 & 1500
 - 2000 & 2500
 - 3000 & 1500
 - 3000 & 4500
- Q5.** Identify the correct statement from the following; 1
- Foreign investments are recorded in capital account of BOP
 - Current account of BOP records only export and import of goods and services
 - Export and import of machines are recorded in capital account of BOP.
 - Balance of payment is a stock concept
- Q6.** If marginal propensity of consume is greater than marginal propensity to save the value of multiplier will be: 1
- Greater than 2
 - Less than 2
 - Equal to 2
 - Equal to 5

OR

Effective demand refers to:

- Aggregate demand which is met by the corresponding supply
 - Aggregate demand which is necessary to achieve full employment equilibrium
 - Different levels of aggregate demand at different levels of income
- None of these

- Q7.** State minimum & maximum values of investment multiplier. 1
- Q8.** Match the column : 1

	Column 1		Column 2
A	Us dollar was assigned gold value at a fixed price	i.	Autonomous items
B	Fall in value of domestic currency by the government under fixed exchange rate system	ii.	Bretton woods system Of exchange rate
C	International economic transactions taking place due to economic motive	iii.	Devaluation
D	Charity to foreign countries	iv.	Current account of BOP
		v.	Capital account of BOP

- Q9.** Which out of following is not the impact of Jan Dhan Yojana on the aggregate supply of goods and services : 1
- Lots of people in India have opened accounts in at least one bank which helps in mobilizing idle savings of the people.
 - These savings can be used for the investment purpose.
 - Aggregate supply of goods and services will increase due to increased investments.
 - It will discourage establishment of micro and small-scale enterprises in the economy.

- Q10.** It is located that Indian Rupee is depreciating with respect to US dollars and other foreign currencies. What will be its likely effect on the BOP situation of the country? 1
- BOP situations is likely to become worse
 - BOP situation will improve
 - BOP will remain unaffected
 - Nothing can be predicted

- Q11.** From the following data calculate imports: 3

	DETAILS	AMOUNT (CRORES)
i.	Sales	3500
ii.	Net fixed capital formation	150
iii.	Intermediate consumption	1650
iv.	Consumption of fixed capital	100
v.	Exports	800
vi.	Change in stock	250
vii.	Household consumption expenditure	500
viii.	Expenditure incurred by a non-profit Institutions serving households	50
ix.	Purchase of goods by government	250
x.	Compensation of employees paid by govt	200
xi.	Net indirect taxes	220

- Q12.** A) Indian economy needs a huge amount of imports for its technical requirements and development programs. Explain one step which the central bank can take to make imports cheaper using the foreign exchange market. 3
- B) Evaluate the effect of of balance of trade on foreign exchange rate.

OR

How are changes in foreign exchange reserves recorded in BOP account ?
 Recently the government of India launched the Incredible India campaign to promote tourism. Explain using a diagram; how will it affect the foreign exchange rate.

Q13. Currency is issued by the central bank yet we say that the commercial banks create money. Do you agree with the statement? Explain your answer with the help of an appropriate numerical example. 4

Q14. Can an economy be in equilibrium when there is unemployment? Explain the concept using a diagram. 4

In an economy the autonomous investment is 60 and the marginal propensity to consume is 0.8 . If the equilibrium level of income is 400, then the autonomous consumption is 30. True or false. Justify your answer.

OR

Explain the process of deriving consumption curve from savings curve. Also mention the steps of construction. In the diagram mention the level of income corresponding to which APC equals to 1 and APS equals to zero.

Q15. Complete the following table : 4

INCOME	CONSUMPTION EXPENDITURE	MPS	APS
0	80		
100	140	0.4	
200			0
	240		0.20
	260	0.8	0.35

Q16. A. Explain how following will be treated while estimating national income: 6

- i. Interest received by an individual from banks.
- ii. Payment of interest on loan taken by an employee from the employer.
- iii. Payment of interest on borrowings by the general government.
- iv. Interest received on loans given to a friend for purchasing a car.

B. If the nominal GDP is rupees 2400 and price index is 120. Calculate real GDP.

OR

- a) Only one product x is produced in the country. Its output during the year 2015 and 2016 was 100 units and 110 units respectively. The market price of the product during the year was rupees 50 and rupees 55 per unit respectively. Calculate the percentage change in real GDP and nominal GDP in the year 2016 using 2015 as the base year.
- b) A polluting river by an oil refinery reduces welfare through negative effect on health & environmental pollution caused by industrial plants. How will you define this concept and explain its importance in national income accounting?

Q17. The World Bank projected in its report in May 2020 6

The economy will contract by 3.2 percent in FY20/21, and rebound slowly in FY21/22. It further estimated that the COVID-19 outbreak is likely to have significant fiscal implications. The fiscal deficit of the central government is likely to increase to 6.6 percent of GDP in FY20/21 and is expected to remain elevated at 5.5 percent in the following year

“While the Government of India, with the support of the Reserve Bank, is continuing to take action to limit the impact of the COVID-19 pandemic, there

is a recognition of both the uncertainty of the nature of the economic revival globally and the emergence of opportunities opened by the current crisis,” said **Junaid Ahmad**, World Bank Country Director in India.

Study the above given report very carefully & comment on the likely nature of coming budgets in India. Also explain how a budget can help in fighting economic recession & widening disparities of income & wealth.

PART B - INDIAN ECONOMIC DEVELOPMENT

- Q18.** In 1991 which of the following was used as an immediate measure to resolve the Balance of payments crisis: 1
- a) Tax rate was reduced
 - b) Quotas were removed
 - c) Rupee was devalued against foreign currencies
 - d) All of the above
- Q19.** Casualization of workforce refers to: 1
- a. Process of moving from self-employment and regular salary employment to casual work.
 - b. Process of moving from self-employment and casual wage work to regular salaried employment.
 - c. Process of moving from regular salary employment and casual wage work to self-employment.
 - d. Process of moving from self-employment to regular salary work.
- Q20.** Arrange the following events related to china in chronological order: 1
1. Great proletarian cultural revolution
 2. Great leap forward
 3. Introduction of economic reforms
 4. First five-year plan
- choose the correct alternative:
- a) 2, 4, 3 ,1
 - b) 4, 2 ,1 ,3
 - c) 2 ,4, 1, 3
 - d) 4 ,1 ,2, 3

OR

Read the following statements - Assertion (A) and Reason (R). Choose

one of the correct alternatives given below:

Assertion (A): Industrial growth rate of China is best among India Pakistan and China

Reason (R) : China introduced economic reforms in in different phases. In the first phase agriculture; foreign trade and investment sectors were promoted. And in the later phase reforms were initiated in industrial sector.

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.

Q21. State the meaning of commune with respect to china. 1

Q22. Read the following statements - Assertion (A) and Reason (R). Choose 1

one of the correct alternatives given below:

Assertion (A): foreigners come to India for surgeries; organ transplantation; Dental Care and even cosmetic care .it is predicted that by 2020 India could earn more than rupees 500 billion through such medical tourism

Reason (R) : Health services combine the latest medical technologies with qualified professionals and at cheaper rate for foreigners as compared to cost of similar healthcare services in their own countries. Apart from this private sector is playing a dominant role in promoting medical tourism & providing quality health care services.

Alternatives:

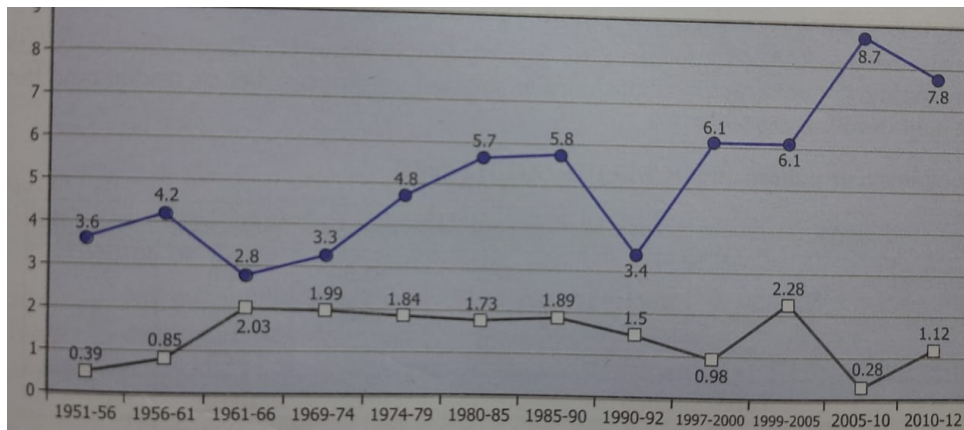
- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but Reason (R) is true.

Q23. In India more than 7 lakh self-help groups had reportedly been credit linked. Such credit provisions are generally referred to as: 1

- a. Micro credit programmes
- b. Macro credit programmes
- c. Static credit programmes
- d. Dynamic credit programmes

- Q24.** MGNREGA promises of guaranteed wage employment to: 1
- All rural households who volunteer to do unskilled manual work
 - All urban households who volunteered to do unskilled manual work.
 - All rural and urban households who volunteered to do unskilled manual work
 - All rural households who volunteered to do skilled and unskilled work
- Q25.** Whose estimates of national and per capita income of India during colonial period was considered very significant: 1
- Dadabhai Naoroji
 - V.K.R.V. Rai
 - R. C Desai
 - Findlay Shirras
- Q26.** Name the economic policy of colonial government which adversely affected the structure; composition and volume of India's foreign trade. 1
- Q27.** The purpose of land ceiling was: 1
- To reduce the concentration of land ownership in a few hands
 - To increase the concentration of land ownership
 - To increase the concentration of income
 - To reduce the concentration of income
- Q28.** Human development is an important agenda in government policies. **Economic Survey 2018-19** has opined that: 'Inclusiveness has been the cornerstone of India's development agenda. Over the last few years, efforts in this direction have been accelerated by the Government through the mantra of inclusiveness '**Sabka Sath, Sabka Vikas**', further elaborated by ensuring '**Sabka Vishwas**'. As India is a developing economy with resource constraints, we have to prioritize and optimize the expenditure on social infrastructure to promote sustainable and inclusive growth. It is critical at this juncture to focus on public investments in social infrastructure and strengthen the delivery mechanisms of government interventions to ensure transparency and accountability. 3
- In the light of above case study evaluate the challenges faced in the field of health infrastructure which is an inseparable part of social infrastructure.
- OR**
- Highlight any two serious adverse environmental consequences of development in India.
 - India's environmental problems pose a dichotomy that is they are poverty induced and at the same time due to effluence in living standard -is this true. Explain.
- Q29.** Why are regular salaried employees more in urban areas than in rural areas? Is it necessary to generate employment in informal sector rather than in formal sector? State any two arguments in favour of your answer 3
- Q30.** Explain four major goals of economic planning in India. 4

Q31.



4

In the diagram the line above explains GDP growth rate whereas the line below explains growth of employment. Analyse the diagram & explain the phenomenon explained through it.

OR

The causes of poverty lie in the institutional and social factors that mark the life of the poor. The poor are deprived of quality education and unable to acquire skills which fetch better incomes. The main victims of caste religious and other discriminatory practices are poor.

In the light of these lines explain any four causes of poverty in India.

Q32. Suggest a comparative analysis of India Pakistan and China with respect to demographic indicators that is density of population, annual growth rate of population, sex ratio and urbanization. 4

Q33. Define agriculture marketing and explain measures initiated by government to improve agricultural Marketing System in India after independence. Explain any three measures. 6

OR

State whether following given statements are true or false. Explain your answer with the help of proper arguments.

- Human capital treats human being as means to an end whereas human development treats human beings as an end in themselves.
- Economic infrastructure indirectly supports the economic system. It helps economic system from outside and raises the process of human development
- India's power sector is a well-developed sector without any challenges.

Q34. Non institutional sources of credit are often engaged in several malpractices. They cannot provide loans for long period at affordable rate of interest whereas institutional sources of rural banking provide adequate credit at cheaper rates to the farmers. 6

With the help of above lines explain following institutional sources of rural credit in India :

- Cooperative credit societies
- NABARD
- Self-help groups
- Commercial banks