



INDIAN SCHOOL AL WADI AL KABIR

ECONOMICS SAMPLE PAPER-2

CLASS: XII

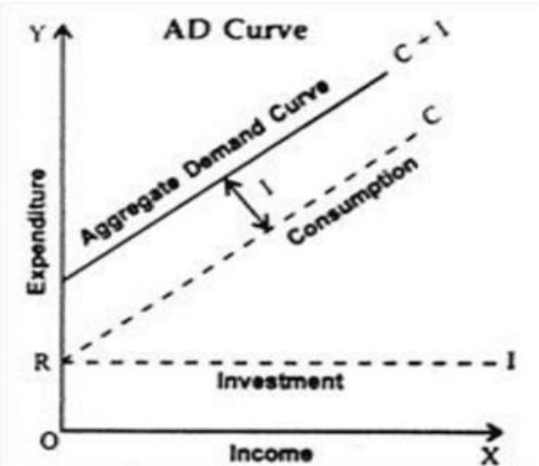
MARKS: 80

GENERAL INSTRUCTIONS:


1. This question paper contains two sections:
Section A – Macro Economics
Section B – Indian Economic Development
2. This paper contains 20 Multiple Choice Questions type questions of 1 mark each.
3. This paper contains 4 Short Answer Questions type questions of 3 marks each to be answered in 60 to 80 words.
4. This paper contains 6 Short Answer Questions type questions of 4 marks each to be answered in 80 to 100 words.
5. This paper contains 4 Long Answer Questions type questions of 6 marks each to be answered in 100 to 150 words.

SECTION A: MACRO ECONOMICS		
1	Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below: Assertion(A): According to Keynesian theory, equilibrium is always reached at the full employment level. Reason(R): At full employment level, there is no involuntary unemployment. Alternatives: a. Both Assertion and Reason are true and Reason (R) is the correct explanation of Assertion b) Both Assertion and Reason 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
2	Which of the following is correct? a. Inventory investment = Opening stock + Closing stock b. Inventory investment = Opening stock - Closing stock c. Inventory investment = Closing stock - Opening stock d. Inventory investment = Gross fixed investment - Opening stock	1
3	Read the following statements carefully: Statement 1: Equilibrium GDP is concerned with actual saving and actual investment. Statement 2: In national income accounting, planned saving is always equal to planned investment. In light of the given statements, choose the correct alternative from the following: a) Statement 1 is true and Statement 2 is false. b) Statement 1 is false and Statement 2 is true. c) Both Statements 1 and 2 are true. d)Both Statements 1 and 2 are false.	1
4	A corporate entity situated in India invests in a foreign enterprise. Where will this transaction be recorded in India's Balance of Payments account? a. On the debit side, the current account balance	1


	<p>b. From a credit standpoint, the current</p> <p>c. On the debit side of the capital account</p> <p>d. Credit-related capital</p>											
5	<p>When the central bank sells securities in the market, the credit creation capacity of the commercial banks is likely to:</p> <p>a. Rise</p> <p>b. Fall</p> <p>c. May rise, may fall</p> <p>d. No change</p>	1										
6	<p>Which of the following statements is true about demand deposits?</p> <p>a. It includes both fixed deposits and current account deposits</p> <p>b. It includes both savings account deposits and fixed deposits</p> <p>c. It includes both current account deposits and savings account deposits</p> <p>d. It includes fixed deposits, current account deposits and savings account deposits</p>	1										
7	<p>Choose the correctly matched pair from the following:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Column A</th> <th>Column B</th> </tr> </thead> <tbody> <tr> <td>A. APC</td> <td>i. Can never be equal to 1</td> </tr> <tr> <td>B. APS</td> <td>ii. Can be less than 0</td> </tr> <tr> <td>C. MPC</td> <td>iii. Can be more than 1</td> </tr> <tr> <td>D. MPS</td> <td>iv. Varies between -1 and +1</td> </tr> </tbody> </table> <p>a) A-i</p> <p>b) B-ii</p> <p>c) C-iii</p> <p>d) D-iv</p>	Column A	Column B	A. APC	i. Can never be equal to 1	B. APS	ii. Can be less than 0	C. MPC	iii. Can be more than 1	D. MPS	iv. Varies between -1 and +1	1
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8	<p>Read the following statement given below and choose the correct alternative:</p> <p>Assertion (A)- In case of the floating exchange rate system, currency price of a nation is set by the forex market based on supply and demand relative to other currencies.</p> <p>Reason (R)- Government intervenes in the foreign exchange market under the floating exchange rate system to restrict the fluctuations in exchange rate.</p> <p>Alternatives:</p> <p>a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p> <p>b. Both Assertion (A) and Reason (R) are true, but Reason (R) is <i>not</i> the correct explanation of Assertion (A).</p> <p>c. Assertion (A) is true, but Reason (R) is false.</p> <p>d. Assertion (A) is false, but Reason (R) is true.</p>	1										
9	<p>From the following data calculate investment expenditure:</p> <p>Marginal Propensity to Save = 0.2</p> <p>Equilibrium level of income = Rs 22,500</p> <p>Autonomous consumption = Rs 500.</p>	1										
10	<p>Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below.</p> <p>Assertion (A): When there is a trade deficit and a current account deficit, there will always be a BOP deficit.</p> <p>Reason (R): When there is a trade deficit and a current account deficit, but a capital account surplus (ie there is a net capital inflow), there may be a balanced BOP or a BOP surplus.</p>	1										

	<p>Alternatives:</p> <p>a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p> <p>b) Both Assertion (A) and Reason (R) are true, but Reason (R) is <i>not</i> the correct explanation of Assertion (A).</p> <p>c) Assertion (A) is true, but Reason (R) is false.</p> <p>d) Assertion (A) is false, but Reason (R) is true.</p>																	
11	<p>a. How does giving incentives for exports influence foreign exchange rate? Explain.</p> <p>b. Recently Government of India has doubled the import duty on gold. What impact is it likely to have on foreign exchange rate and how?</p>	3																
12	<p>Calculate the compensation of employees from the following data:</p> <table border="1" data-bbox="170 552 1170 856"> <thead> <tr> <th>Items</th> <th>Amount in Rupees crores</th> </tr> </thead> <tbody> <tr> <td>i. Profits after tax</td> <td>20</td> </tr> <tr> <td>ii. Interest</td> <td>45</td> </tr> <tr> <td>iii. Gross domestic product at market price</td> <td>200</td> </tr> <tr> <td>iv. Goods and service tax</td> <td>10</td> </tr> <tr> <td>v. Consumption of fixed capital</td> <td>50</td> </tr> <tr> <td>vi. Rent</td> <td>25</td> </tr> <tr> <td>vii. Corporate tax</td> <td>5</td> </tr> </tbody> </table> <p style="text-align: center;">OR</p> <p>Giving valid reasons explain which of the following will not be included in the national income of India?</p> <p>a. Purchase of shares of X Limited by an investor in the National Stock Exchange.</p> <p>b. Salaries paid by the French Embassy, New Delhi to the local workers of the housekeeping department.</p> <p>c. Compensation paid by the Government of India to the victims of floods.</p>	Items	Amount in Rupees crores	i. Profits after tax	20	ii. Interest	45	iii. Gross domestic product at market price	200	iv. Goods and service tax	10	v. Consumption of fixed capital	50	vi. Rent	25	vii. Corporate tax	5	3
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13	<p>a. If an economy plans to increase income by Rs 2000 crores and marginal propensity to consume is 74%, estimate the increase in investment required to achieve the targeted increase in income.</p> <p>b.</p> <p>viii. The total consumption and investment curves are given below:</p> <div style="text-align: center;">  </div> <p>Identify which of the following represents "Autonomous Consumption".</p>	4																

	<p>a. OR b. RC c. RY d. RI</p>															
14	<p>Why must aggregate demand be equal to aggregate supply at the equilibrium level of income and output? Use diagram to explain your answer.</p> <p style="text-align: center;">OR</p> <p>Why are the banks required to keep a fraction of deposits as cash reserves? What will the banks do if the demand for cash reserves is more than the cash reserves at some point of time?</p>	4														
15	<p>On the basis of the following extract answer the questions that follow:</p> <p style="padding-left: 40px;">Keeping in view the continuing hardships faced by banks in terms of social distancing of staff and consequent strains on reporting requirements, the Reserve Bank of India has extended the relaxation of the minimum daily maintenance of the CRR of 80% for up to September 25, 2020. Currently, CRR is 3% and SLR is 18.50%.</p> <p style="padding-left: 40px;">"As announced in the Statement of Development and Regulatory Policies of March 27, 2020, the minimum daily maintenance of CRR was reduced from 90% of the prescribed CRR to 80% effective the fortnight beginning March 28, 2020 till June 26, 2020, that has now been extended up to September 25, 2020," said the RBI.</p> <p>i. Give the full form of CRR and SLR. ii. What will be the value of money multiplier? iii. Explain the meaning of SLR. iv. Decrease in CRR will lead to _____.</p>	4														
16	<p>a. From the following data find a. Revenue Deficit b. Fiscal deficit c. Primary deficit.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Items</th> <th style="text-align: center;">In Rs Crores</th> </tr> </thead> <tbody> <tr> <td>i. Plan capital Expenditure</td> <td style="text-align: center;">13000</td> </tr> <tr> <td>ii. Revenue Expenditure</td> <td style="text-align: center;">11000</td> </tr> <tr> <td>iii. Non-plan capital expenditure</td> <td style="text-align: center;">9000</td> </tr> <tr> <td>iv. Revenue receipts</td> <td style="text-align: center;">8000</td> </tr> <tr> <td>v. Capital receipts net of borrowing</td> <td style="text-align: center;">15000</td> </tr> <tr> <td>vi. Interest payments</td> <td style="text-align: center;">4000</td> </tr> </tbody> </table> <p>b. Giving reasons, categorize the following into revenue receipts and capital receipts: i. Corporation Tax ii. Dividends on investment made by the Govt. iii. Sale of a public sector undertaking</p> <p style="text-align: center;">OR</p> <p>a. Explain how the Government can use the budgetary policy in reducing inequality of income in the country. b. In 2016 Budget, Government has hinted at lowering its expenditure on subsidies. Examine the economic value of this policy. c. How are capital expenditure different from revenue expenditure? Explain with examples.</p>	Items	In Rs Crores	i. Plan capital Expenditure	13000	ii. Revenue Expenditure	11000	iii. Non-plan capital expenditure	9000	iv. Revenue receipts	8000	v. Capital receipts net of borrowing	15000	vi. Interest payments	4000	6
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17	<p>a. Circular flow of income in a 2-sector economy is based on the axiom that one person's income is another person's consumption. Do you agree with this? Support your answer with valid reason.</p> <p>b. Distinguish between value of output and value added.</p> <p>c. Use the following information about an imaginary country:</p> <table border="1" data-bbox="332 342 1351 543"> <thead> <tr> <th>Year</th> <th>2014-15</th> <th>2015-16</th> <th>2016-17</th> </tr> </thead> <tbody> <tr> <td>Nominal GDP</td> <td>6.5</td> <td>8.4</td> <td>9</td> </tr> <tr> <td>GDP Deflator</td> <td>100</td> <td>140</td> <td>125</td> </tr> </tbody> </table> <p>Answer the following questions:</p> <p>a. In which year was real and nominal GDP same and why?</p> <p>b. Calculate real GDP in the given years.</p> <p>c. Is there any year in which real GDP falls?</p>	Year	2014-15	2015-16	2016-17	Nominal GDP	6.5	8.4	9	GDP Deflator	100	140	125	6
Year	2014-15	2015-16	2016-17											
Nominal GDP	6.5	8.4	9											
GDP Deflator	100	140	125											
SECTION – B: INDIAN ECONOMIC DEVELOPMENT														
18	 <p>The strategy to earn foreign exchange by promoting domestic exports and making domestic industry competitive in the international market is called:</p> <p>a) Export promotion b) Import substitution c) Export liberalization d) Import restriction</p>	1												
19	<p>There is an increasing eagerness on the parts of various nations to try and understand the developmental processes pursued by their neighbouring nations as it allows them to better comprehend their and vis-a-vis their neighbours.</p> <p>a) River, Mountains b) Strength, Weaknesses c) Roads, Transport d) Buildings, Organisation</p>	1												
20	<p>Opportunity cost of negative environmental impacts:</p> <p>a) Huge expenditure on technology and research to explore new resources b) Rising health expenditure due to increased incidence of respiratory and water borne diseases c) Increased financial commitments for the government due to global warming d) All of the above</p>	1												

21	<p>In order to reduce over-dependence on agriculture sector it is necessary to opt for diversification,”.</p> <p>With reference to the given statement, diversification includes -----</p> <p>i. Change in cropping patterns ii. Shift of workforce from agriculture to allied activities iii. Shift of workforce from agriculture to non-agriculture sector</p> <p>Alternatives:</p> <p>a. (i) and (ii) b. (i), (ii) and (iii) c. (i) and (iii) d. Only (iii)</p>	1
22	<p>Read the following statement – Assertion (A) and Reason (R). Choose one of the correct alternatives given below:</p> <p>Assertion (A): Every year the government fixes a target for disinvestment of Public sector Enterprises (PSEs).</p> <p>Reason (R): Disinvestment is an excellent tool for discarding the loss-making Public Sector Enterprises (PSEs).</p> <p>Alternatives:</p> <p>(a) Both Assertion (A) and Reason (R) are true and Reason(R) is correct explanation of Assertion (A). (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not 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.</p>	1
23	<p>Which of these facts are true about Proletarian cultural Revolution?</p> <p>a) Started in 1988 b) Opening of the industries in their home c) Cultivating land collectively d) Students were sent to work and learn from countryside</p>	1
24	<p>Farmers cannot retain the produce for a long time they have to sell it immediately. Which defect of agriculture is shown in this system</p> <p>a. Unregulated market b. Distress sale c. Lack of information d. False weight</p>	1
25	<p>Great Proletarian Cultural Revolution was introduced under the leadership of</p> <p>a) M.A. Jinnah b) M.K. Gandhi c) J.L. Nehru d) Mao Zedong</p>	1
26	<p>Read the following statements carefully:</p> <p>Statement 1: Expansion into other sectors is essential to provide supplementary gainful employment</p> <p>Statement 2: During the Kharif season it becomes difficult to get gainful jobs.</p> <p>In the light of the given statements, choose the correct alternatives:</p> <p>a. Statement 1 is true and statement 2 is false b. Statement 1 is false and statement 2 is true c. Both statements 1 and 2 are true d. Both statements 1 and 2 are false</p>	1

27	<p>From the set of statements given in Column I and Column II, choose the correct pair of statements:</p> <table border="1" data-bbox="347 170 1338 506"> <thead> <tr> <th data-bbox="347 170 842 212">Column I</th> <th data-bbox="842 170 1338 212">Column II</th> </tr> </thead> <tbody> <tr> <td data-bbox="347 212 842 285">A. India</td> <td data-bbox="842 212 1338 285">I. Economic Reforms in 1997</td> </tr> <tr> <td data-bbox="347 285 842 359">B Pakistan</td> <td data-bbox="842 285 1338 359">II. Economic Reforms in 1991</td> </tr> <tr> <td data-bbox="347 359 842 432">C China</td> <td data-bbox="842 359 1338 432">III. Economic Reforms in 1978</td> </tr> <tr> <td data-bbox="347 432 842 506">D India</td> <td data-bbox="842 432 1338 506">IV. GST rolled out in 1999</td> </tr> </tbody> </table> <p>Alternatives: (a) A – I (b) B – II (c) C – III (d) D - IV</p>	Column I	Column II	A. India	I. Economic Reforms in 1997	B Pakistan	II. Economic Reforms in 1991	C China	III. Economic Reforms in 1978	D India	IV. GST rolled out in 1999	1
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28	<p>What was the state of Indian agriculture during the British period? How did various land settlement systems affect agriculture?</p> <p style="text-align: center;">OR</p> <p>Explain some of the infrastructural developments by British government in India and how did it affect Indian people and economy?</p>	3										
29	 <p>“Human capital formation give birth to innovation, invention and technological improvement” Do you agree with the given statement? Support your answer with valid argument.</p>	3										
30	<p>“The present day fast industrial growth in China can be traced back to the reforms introduced in 1978” Defend or refute the above statement.</p>	4										
31	<p>a. "It is necessary to create employment in the formal sector rather than in the informal sector". Defend or refute the given statement with valid arguments.</p> <p>b. “Micro credit programmes are playing vital role in meeting credit requirements of the poor”. Elaborate.</p> <p style="text-align: center;">OR</p> <p>The terms “Open unemployment” and “Disguised unemployment” are similar to each other. Defend or refute.</p>	4										
32	<p>The following table shows the population and worker population ratio for India in 1999 - 2000. Can you estimate the workforce (rural and urban) for India? Explain.</p>	4										

Region	Estimates of Population (in crores)	Worker Population Ratio
Rural	71.88	41.9
Urban	28.52	33.7
Total	100.49	75.6

- 33 a. Explain the policy of “land to the tiller” and its benefits.
 b. Interpret the given picture on account of agricultural subsidies. Give your arguments in favour of subsidies in agriculture.



OR

- a. Read the following case study and answer the given questions

The performance of Indian economy during the period of first seven five-year plans (1950-1990) was satisfactory if not very impressive. On the eve of independence, India was an industrially backward country, but during this period of first seven plans our industries became far more diversified, with the stress being laid on the public investments in the industrial sector. The policy of import substitution led to protection of the domestic industries against the foreign producers but we failed to promote a strong export surplus. Although public sector expanded to a large extent but it could not bring desired level of improvement in the secondary sector. Excessive government regulations prevented the natural trajectory of growth of entrepreneurship as there was no competition, no innovation and no modernisation on the front of the industrial sector. Many Public Sector Undertakings (PSUs) incurred huge losses due to operational inefficiencies, red-tapism, poor technology and other similar reasons. These PSU's even continued to function because it was difficult to close a government undertaking even if it is a drain on country's limited resources. On the agricultural front, due to the measures taken under the Green Revolution, India more or less became self-sufficient in the production of food grains. So the need for reforms of economic policy was widely felt in the context of changing global economic scenario to achieve desired growth in the country.

Questions:

- Which of the following was not a reason for the public sector to play a major role in the initial phase of Indian economic planning?
 - lack of sufficient capital for investment with Private entrepreneurs
 - Government aimed for social welfare
 - The market was big enough to encourage private industrialists for investment
 - The government wanted to protect the domestic producers from foreign competition
- Inward looking trade policy aimed at:
 - Substituting imports with domestic production

6

	<p>(b)Substituting exports of consumer goods with capital goods (c) Follow an open economy model (d)Restrictions on movement of currency flows 3. Mechanisation of the Indian agriculture was one of the causes of Green Revolution in India. The given statement is (a) True (b) False (c) Partially true (d) Partially false 4. Assertion (A): Many public sector undertakings incurred huge losses due to operational inefficiencies. Reason (R): Red tapism was one of the reasons for continuation of such 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, but 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</p> <p>b. The opening up of the Indian Economy has led to a rapid increase in Foreign Direct Investment and Foreign Exchange Reserves of the Country, Defend or refute the given statement.</p>	
34	<p>a. “If conditions of carrying capacity are not fulfilled, then environment fails to sustain life and results in an economic crisis”. Explain. b. Define environment. Explain the functions performed by the environment.</p>	3+3