



# INDIAN SCHOOL AL WADI AL KABIR

SAMPLE PAPER 3-2020-21

Class: XII

ECONOMICS (030)

M.M: 80

General Instructions: -

- 1) All questions in both the sections are compulsory.
- 2) Marks for questions are indicated each.
- 3) All parts of a question should be answered at one place.

<b><u>SECTION A: MACRO ECONOMICS</u></b>		
1	<p>The difference between gross capital formation and net capital formation is _____</p> <ol style="list-style-type: none"><li>a. Net factor income from abroad</li><li>b. Depreciation</li><li>c. Business fixed investment</li><li>d. Change in stock</li></ol> <p style="text-align: center;"><b>OR</b></p> <p>b. A growing country is the one whose</p> <ol style="list-style-type: none"><li>a. GNP is rising at current prices</li><li>b. GNP is constant at constant prices</li><li>c. GNP is rising at constant prices</li><li>d. None of these</li></ol>	1
2	<p>Banks are able to create many times more than initial deposit through _____</p> <ol style="list-style-type: none"><li>a. Secondary deposits</li><li>b. Advancing loans</li><li>c. Accepting deposits</li><li>d. Providing overdraft facility</li></ol> <p>(Choose the correct option)</p>	1
3	<p>Which of the following systems is followed by RBI for issuing currency?</p> <ol style="list-style-type: none"><li>a. Simple deposit system</li><li>b. Minimum reserve system</li></ol>	1

	<ul style="list-style-type: none"> <li>c. Proportionate system</li> <li>d. Fixed fiduciary issue system</li> </ul>	
4	<p>_____ is the ratio of bank deposits that a commercial bank must keep as reserve in cash with the Central Bank.</p> <ul style="list-style-type: none"> <li>a. Statutory Liquidity Ratio (SLR)</li> <li>b. Cash Reserve Ratio (CRR)</li> <li>c. Bank Rate</li> <li>d. Reserve Repo Rate</li> </ul>	1
5	Change in initial investment = Rs 500 crs, MPS = 0.2, what will be the value of the multiplier?	1
6	The consumption function of an economy is $C = 40 + 0.8Y$ (Amount in Rs crs). Determine the level of income for which $APC = 1$	1
	<p><i>6.2 THE FOREIGN EXCHANGE MARKET: Having considered accounting of international transactions on the whole, we will now take up a single transaction. Let us assume that an Indian resident wants to visit London on a vacation (an import of tourist services). She will have to pay in pounds for her stay there. She will need to know where to obtain the pounds and at what price. Her demand for pounds would constitute a demand for foreign exchange which would be supplied in the foreign exchange market – the market in which national currencies are traded for one another. The major participants in this market are commercial banks, foreign exchange brokers and other authorised dealers and the monetary authorities. It is important to note that, although the participants themselves may have their own trading centres, the market itself is world-wide. There is close and continuous contact between the trading centres and the participants deal in more than one market. The price of one currency in terms of the other is known as the exchange rate.</i></p> <p><i>From Introductory macro Economics Pg 79</i></p>	1
7	What is foreign exchange?	1
8	Define a rupee dollar exchange rate.	1
9	<p>The system in which exchange rate is determined by the free-play of market forces of demand and supply of foreign exchange happens in _____.</p> <ul style="list-style-type: none"> <li>a. Fixed Exchange Rate System</li> <li>b. Flexible Exchange Rate System</li> <li>c. Managed Flexible Exchange Rate System</li> <li>d. None of the above</li> </ul>	1

10	What does a change from Rs. 60 =1\$ to 62 = 1\$ indicate in terms of appreciation/ depreciation of currency?	1
11	<p>Pulse Polio programme is a child immunization programme. Government of India has spent a huge amount of money on this programme. Analyze its impact on GDP and welfare of the Indian people.</p> <p style="text-align: center;"><b>OR</b></p> <p>Sale of both diesel and battery-operated cars are rising in India. Analyze its impact on GDP and the welfare of the Indian people.</p>	3
12	Distinguish between a. Current account and Capital account and b. autonomous transaction and accommodating transactions of balance of payments.	3
13	Although commercial banks cannot issue currency, they are considered as creator of money. Explain this process of money creation of commercial banks in detail if LRR = 20% and initial deposit is Rs 10000.	4
14	<p>Give reasons for the following statements:</p> <ol style="list-style-type: none"> <li>Excess demand raises the real value of the output.</li> <li>General Price level decreases in a situation of inflationary gap in an economy.</li> <li>Excess demand can be corrected by decreasing the government expenditure.</li> <li>Reserve Bank of India sells government securities in the open market to correct the situation of inflationary gap.</li> </ol> <p style="text-align: center;"><b>OR</b></p> <p>Give reasons for the following statements:</p> <ol style="list-style-type: none"> <li>Under the situation of full employment equilibrium, there is no unutilised capacity in the economy.</li> <li>Full employment implies there is no involuntary unemployment in the economy.</li> <li>The problem of unemployment refers to a situation of voluntary unemployment.</li> <li>In a situation of excess demand, there is underemployment in the economy.</li> </ol>	4
15	<p><i>The fiscal deficit of the central government, after declining from 6.6 per cent of GDP in 1990-91 to 4.1 per cent in 1996-97 rose to 6.2 per cent. in 2001-02. Under the constraint imposed by the FRBMA, the fiscal deficit as well as the revenue deficit have fallen to 4.1 per cent and 2.5 per cent respectively in 2004-05 (provisional figures). The increasing share of the revenue deficit as a proportion of the fiscal deficit (which was 49.4 per cent in 1990-91 but has increased to 79.7 in 2003-04) indicates the rapid decline in the quality of the deficit.</i></p> <p>From Introductory Macro Economics Pg 64</p> <ol style="list-style-type: none"> <li>Define revenue deficit and fiscal deficit.</li> </ol>	4

- b. Explain whether you agree with the following statements:
- Increase in fiscal deficit does not affect primary deficit.
  - Fiscal deficit in the economy will be zero if there is no provision for borrowing in the budget.

16 Calculate the value of national income by any two methods of your choice from the following data and show that the value of national income remains same irrespective of the method you use.

3+3

Items	Values in Rs Crores
Gross value added by primary sector	1600
Gross value added by secondary sector	2500
Gross value added by tertiary sector	1200
Compensation of employees	1500
Rent and royalty	1000
Interest	450
Mixed Income	600
Profit	550
Private final consumption expenditure	3500
Govt final consumption expenditure	650
Gross domestic capital formation	1300
Net exports	(-)150
Net indirect taxes	700
Depreciation	500
Net factor income from abroad	100

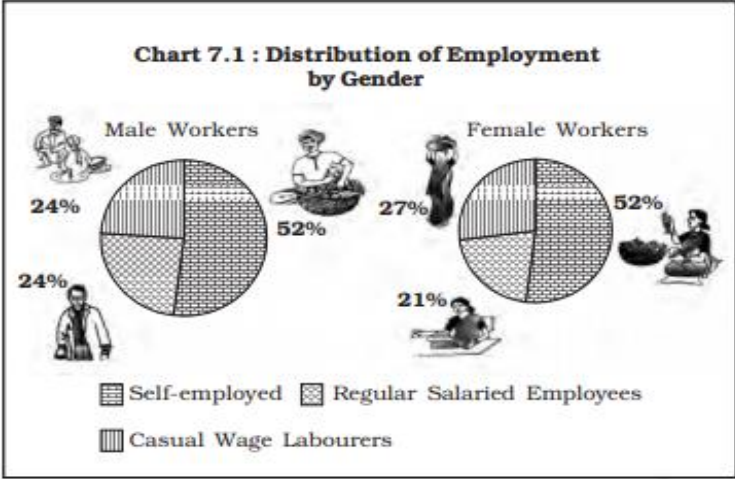
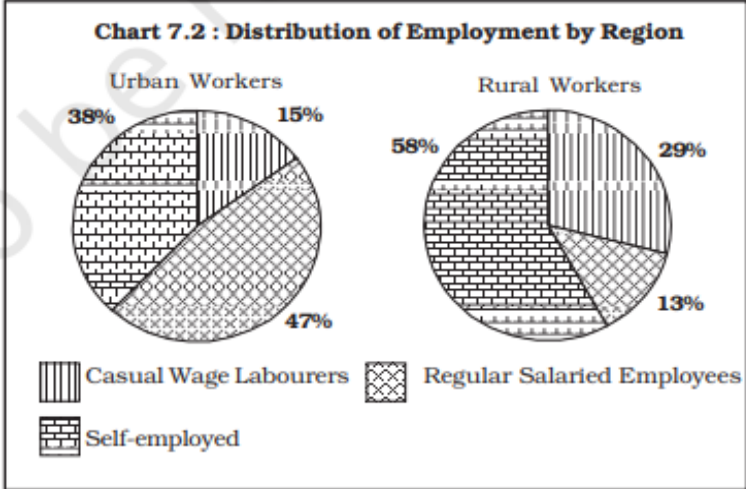
**OR**

- a. In a single day Raju, the barber, collects Rs 500 from haircuts; over this day, his equipment depreciates in value by Rs 50. Of the remaining Rs 450, Raju pays sales tax worth Rs 30, takes home Rs 200 and retains Rs 220 for improvement and buying of new equipment. He further pays Rs 20 as income tax from his income. Based on this information, complete Raju's contribution to the following measures of income

	<ul style="list-style-type: none"> <li>i. Gross Domestic Product</li> <li>ii. NNP at market price</li> <li>iii. NNP at factor cost.</li> </ul> <p>b. The value of the nominal GNP of an economy was Rs 2,500 crores in a particular year. The value of GNP of that country during the same year, evaluated at the prices of same base year, was Rs 3,000 crores. Calculate the value of the GNP deflator of the year in percentage terms. Has the price level risen between the base year and the year under consideration?</p>	
17	<ul style="list-style-type: none"> <li>a. Define tax. What can be the consequence of evasion of tax?</li> <li>b. In India each individual tax payer is identified by a specific number. What is this number called?</li> <li>c. Do you feel tax rebates can ensure stimulation of savings and investment in an economy? Give reason in support of your answer.</li> <li>d. Progressive taxation reduces inequality of income and wealth. Defend or refute.</li> </ul>	6
	<b><u>SECTION B: INDIAN ECONOMIC DEVELOPMENT</u></b>	
18	<p>First attempt to estimate national income in India during British period was made by: -</p> <ul style="list-style-type: none"> <li>(a) Findlay Shirras</li> <li>(b) Dadabhai Naoroji</li> <li>(c) William Digby</li> <li>(d) V.K.R.V. Rao</li> </ul>	1
	<p><b>Read the following case study, answer the question on the base of the same.</b></p> <div style="border: 1px solid black; padding: 10px; background-color: #f0f0f0;"> <p>The policy of 'land to the tiller' is based on the idea that the cultivators will take more interest—they will have more incentive—in increasing output if they are the owners of the land. This is because ownership of land enables the tiller to make profit from the increased output. Tenants do not have the incentive to make improvements on land since it is the landowner who would benefit more from higher output. The importance of ownership in providing incentives is well illustrated by the carelessness with which farmers in the former Soviet Union used to pack fruits for sale. It was not uncommon to see farmers packing rotten fruits along with fresh fruits in the same box. Now, every farmer knows that the rotten fruits will spoil the fresh fruits if they are packed together. This will be a loss to the farmer since the fruits cannot be sold. So why did the Soviet farmers do something which would so obviously result in loss for them? The answer lies in the incentives facing the farmers. Since farmers in the former Soviet Union did not own any land, they neither enjoyed the profits nor suffered the losses. In the absence of ownership, there was no incentive on the part of farmers to be efficient, which also explains the poor performance of the agricultural sector in the Soviet Union despite availability of vast areas of highly fertile land.</p> <p><b>Source:</b> Thomas Sowell, <i>Basic Economics: A Citizen's Guide to the Economy</i>, New York: Basic Books, 2004, Second Edition.</p> </div>	1

19	a. What do you mean by land ceiling? b. what was the basic aim for abolition of intermediaries?	
20	Why some PSUs have been granted special status as Maharatnas, Navratnas and Miniratnas?	1
21	The only industries which are now reserved for the public sector are a part of -----	1
22	Reforms in -----were introduced in 1978.  OR Human development index comprises of: (a) literacy (b) life expectancy (c) standard of living (d) all of the above	1
23	Proportion of people below poverty line is more in ----- (India/Pakistan)	1
24	From 2014, a scheme called_____ is available in which people in India are encouraged to open bank accounts.	1
25	Small farmers and seasonal workers are categorized as: - (a) Chronic poor (b) Churning poor (c) Occasionally poor (d) Both (b) and (c)	1
26	<b>Assertion: Measures were taken by government to improve agricultural marketing.</b> <b>Reason: Farmers while selling the product were not earning profits.</b> ALTERNATIVES: a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)	1

	<p>b. Both Assertion (A) and Reason (R) are true and Reason (R) is not 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>																	
27	<p>Which of the following activities are not included in agricultural marketing?</p> <p>(a) Assembling of agricultural products</p> <p>(b) grading of agricultural products</p> <p>(c) Processing of agricultural products</p> <p>(d) none of the above</p>	1																
28	<p>What are the different forms in which firms spend on giving on-the-job training to their workers? How is the expenditure regarding on-the-job training a source of human capital formation?</p> <p style="text-align: center;">OR</p> <p>Answer the following questions on the basis of the following data: -</p> <p style="text-align: center;">Workforce Participation Rate in India (2011-12)</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Sex</th> <th>Rural</th> <th>Urban</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Men</td> <td>54.3</td> <td>54.6</td> <td>54.4</td> </tr> <tr> <td>Women</td> <td>24.8</td> <td>14.7</td> <td>21.9</td> </tr> <tr> <td>Total</td> <td>39.9</td> <td>35.5</td> <td>38.6</td> </tr> </tbody> </table> <p>a) Why is there difference in the workforce participation rate between rural and urban areas?</p> <p>b) Compared to females, more males are found to be working. The difference in participation rate is very large in urban areas. Give reasons.</p>	Sex	Rural	Urban	Total	Men	54.3	54.6	54.4	Women	24.8	14.7	21.9	Total	39.9	35.5	38.6	3
Sex	Rural	Urban	Total															
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29	<p>How has women's health become a matter of concern?</p>	3																
30	<p>a. Special economic zones increase foreign investment. Explain.</p> <p>b. Mention the salient demographic indicators of China, Pakistan and India.</p>	4																
31	<p>Explain how goods and services tax has simplified the multiplicity of taxes on goods and services.</p> <p style="text-align: center;">OR</p>	4																

	In your opinion, what are the advantages of privatization to the economy?																									
32	<p>a. When was demonetization initiated? What were the positive impacts of demonetization?</p> <p>b. What were the major factors responsible for the high growth of the service sector?</p>	4																								
33	<p>The two charts viz, A and B given below which depict the worker status in India. Study the charts and comment on the worker status in the country</p> <p style="text-align: center;"><b>CHART -A:</b></p> <div style="text-align: center;">  <p><b>Chart 7.1 : Distribution of Employment by Gender</b></p> <table border="1"> <thead> <tr> <th>Gender</th> <th>Self-employed</th> <th>Regular Salaried Employees</th> <th>Casual Wage Labourers</th> </tr> </thead> <tbody> <tr> <td>Male Workers</td> <td>24%</td> <td>24%</td> <td>52%</td> </tr> <tr> <td>Female Workers</td> <td>27%</td> <td>21%</td> <td>52%</td> </tr> </tbody> </table> </div> <p style="text-align: center;"><b>CHART – B:</b></p> <div style="text-align: center;">  <p><b>Chart 7.2 : Distribution of Employment by Region</b></p> <table border="1"> <thead> <tr> <th>Region</th> <th>Self-employed</th> <th>Regular Salaried Employees</th> <th>Casual Wage Labourers</th> </tr> </thead> <tbody> <tr> <td>Urban Workers</td> <td>38%</td> <td>15%</td> <td>47%</td> </tr> <tr> <td>Rural Workers</td> <td>58%</td> <td>13%</td> <td>29%</td> </tr> </tbody> </table> </div> <p style="text-align: center;">OR</p> <p>India has abundant natural resources – substantiate the statement.</p>	Gender	Self-employed	Regular Salaried Employees	Casual Wage Labourers	Male Workers	24%	24%	52%	Female Workers	27%	21%	52%	Region	Self-employed	Regular Salaried Employees	Casual Wage Labourers	Urban Workers	38%	15%	47%	Rural Workers	58%	13%	29%	3+3
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34	<p>a. What are the objectives of WTO? Why is it necessary to become a member of WTO?</p> <p>b. What is AYUSH and what is its state in the country?</p>	2+2 +2																								



	c. What are the main problems of human capital formation in India?	
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