

Q. No	QUESTIONS	MARKS
	<b>PART A - MACRO ECONOMICS</b>	
1	<p>Losses is a _____ concept whereas capital is a _____ concept. (Fill up the blank with the correct alternative)</p> <p>a. Stock, flow  <b>b. Flow, stock      A: b</b>  c. Stock, stock  d. Flow, flow</p> <p>OR</p> <p>Given Factor Income from Abroad = Rs 250, Factor Income to Abroad = Rs 620  Calculate NFIfA = Rs _____.</p> <p>a. 370  <b>b. – 370      A: b</b>  c. 300  d. 703</p>	1
2	<p>In the current pandemic situation many economists are fearing that the Indian economy may plunge into a depression because of the lockdown and lack of business. Sale of government securities in the open market is an appropriate measure to check depression. True or False? Give reason.</p> <p><b>A: False.</b> Sale of Govt securities means money will be squeezed out from the economy. This will reduce AD and the economy will move into further depression.</p>	1
3	<p>Which of the following is the bank money?</p> <p>a. Coins  b. Currency  c. Cash reserves of banks  <b>d. Demand deposits in banks      A: d</b></p>	1

4	<p>Identify the correct pair of formula from the following column I and II:</p> <table border="1" data-bbox="199 149 1356 420"> <thead> <tr> <th></th> <th>Column I</th> <th></th> <th>Column II</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>Surplus BOT</td> <td>i.</td> <td>Import is greater than export</td> </tr> <tr> <td>B</td> <td>Deficit BOT</td> <td>ii.</td> <td>Import is less than export</td> </tr> <tr> <td>C</td> <td>BOT Surplus</td> <td>iii.</td> <td>Export is greater than import</td> </tr> <tr> <td>D</td> <td>Balanced BOT</td> <td>iv.</td> <td>Export <math>\neq</math> Import</td> </tr> </tbody> </table> <p>a) A - i      b) B - ii      c) C - iii      d) D – iv      <b>A: C-iii</b></p>		Column I		Column II	A	Surplus BOT	i.	Import is greater than export	B	Deficit BOT	ii.	Import is less than export	C	BOT Surplus	iii.	Export is greater than import	D	Balanced BOT	iv.	Export $\neq$ Import	1
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5	<p>A change from Rs 140 = 2 £ to Rs 60 = 1£ Identify which currency is appreciating and which one is depreciating? (Choose the correct alternative):</p> <p>a. £ is appreciating, Rs is depreciating</p> <p>b. £ is appreciating, no change in Rs.</p> <p>c. £ is depreciating, Rs is appreciating.      <b>A: c</b></p> <p>d. £ has no change, Rs is appreciating.</p>	1																				
6	<p>Indian Government repays loan taken from IMF. This transaction would be recorded on _____ side of the _____ account.</p> <p>a. Debit, capital</p> <p>b. Debit, current</p> <p>c. Credit, Capital      <b>A: c</b></p> <p>d. Credit, current</p>	1																				
	<p>Read the following news report and answer questions 7-10 below:</p> <p>The central bank of a country XYZ decreased the CRR maintained by the commercial banks for the first time in last 5 years. It reduced the Repo Rate to 5.4%, the lowest in last 10 years. CRR for all banks was cut by 100 basis points to release 2.5 lakh crores across the banking system. Economists predicted that a worldwide recession was on the card and said XYZ will also face such a situation. They further say that it will be interesting to see hat how XYZ responds to this challenge. Aggregate demand may contract and ease core inflation.</p>	1																				
7	<p>a. Reduction in Repo Rate by the central bank of XYZ may <u>increase</u> (increase/decrease) the Aggregate Demand. (Choose the correct alternative).</p>	1																				
8	<p>Fall in CRR will result in _____. (Choose the correct alternative).</p> <p>a. No change in aggregate demand.</p> <p>b. Increase in aggregate demand      <b>A: b</b></p> <p>c. Decrease in aggregate demand</p> <p>d. Increase in general price level</p>	1																				

9	The difference by which actual aggregate demand falls short of the aggregate demand required to establish full employment equilibrium is known as <u>deflationary gap</u> . (inflationary/ deflationary) gap. (Choose the correct alternative)	1
10	<p>The impact of excess demand under Keynesian theory of income and employment in the economy are: (Choose the correct alternative).</p> <p>a. Increase in income, output, employment and, general price level.</p> <p>b. Decrease in nominal income, but no change in real output.</p> <p>c. Output and employment remain unchanged, but a rise in general price level.</p> <p>d. Decrease in output, income, employment, general price level.</p> <p><b>A: c</b></p>	1
11	<p>a. Distinguish between Value of Output and Value Added.</p> <p>A: Difference between Value of Output and Value Added is IC. Value of output includes IC.</p> <p>Suppose, the farmer produces 100 kg of wheat without any cost of input and sells it to miller at 5 rs per kg. The miller grinds the wheat into flour and sells to the baker at rs 6 per kg. The baker prepares bread from flour and sells the same to the consumer at rs 8 per kg.</p> <p>Value of output = Output X price</p> <p>By the farmer = 100kg of wheat X Rs 5 per kg = 500</p> <p>By the miller = 100kg of flour X Rs 6 per kg = 600</p> <p>By the baker = 100kg of wheat X Rs 8 per kg = 800</p> <p>TOTAL = 1900</p> <p>Value Added = Value of output – IC</p> <p>By the farmer = 500-0 = 500</p> <p>By the miller = 600 - 500 = 100</p> <p>By the baker = 800- 600 = 200</p> <p>TOTAL VALUE ADDED = 500 + 100 + 200 = 800</p> <p>b. Are all producer's goods capital goods? Justify your answer.</p> <p>A: All goods used by producer (known as producer goods) are not capital goods. Producer goods of 2 types.</p> <p><u>Single use producer goods</u> : it includes raw materials like coal, wood. They are not capital goods because they can't be used repeatedly in the production process.</p> <p><u>Capital goods</u> : it includes fixed assets like plant and machinery which can be</p>	3

	used repeatedly in the production process.	
12	<p>a. Differentiate between balance of trade and current account.  A: <math>BOT = X_{port\ of\ goods} - M_{port\ of\ goods}</math>  BOT includes only visible items. Current account records both visible and invisible items.  BOT is a narrow concept as it is only a part of current account. Current account is a wider concept bcos it includes BOT.</p> <p>b. What are official reserve transactions. Explain their importance in BOP.  A: They refer to transactions by the central bank that causes change in its official reserves of foreign exchange. Such transactions take place when a country withdraws from his stock of foreign exchange reserves to finance deficit in its overall BOP.  Official reserve transactions are imp bcos they help to bring balance I the country's overall BOP. So, such transactions act as accommodating item in BOP.</p> <p style="text-align: center;">OR</p> <p>a. What will be the effect of 'Make in India' on the BOP of the country?  A: 'Make in India' wl increase the SS of FE, causing improvement in BOP position.</p> <p>b. 'Deficit or disequilibrium in BOP may occur due to autonomous transactions or due to accommodating transactions. Defend or refute.  A: The given statement is refuted. Deficit or disequilibrium occurs due to autonomous transactions. To remove the deficit, accommodating transactions are carried out.</p>	3
13.	<p>a. Define <b>deposit</b> multiplier.  A: It measures the amt of money that the banks are able to create in the form of deposits with every unit of money it keeps as reserves.</p> <p>b. Assuming initial deposit to be Rs 2000 and LRR = 10%, show the calculations to explain the working of the multiplier.  A: Money Multiplier = <math>1/LRR = 1/10/100 = 10</math>  So, 2000 wl bcom 20000.</p> <p>c. What will the effect of this multiplier on the national income of the country?  A: Money SS has 2 components: currency n DD deposits. Currency is created by Central bank. DD deposits r created by com banks by lending to the people. More Dd dep, more loan n more inv. This leads to an increase in NI.</p>	4
14	If saving function for an economy is: $S = -50 + 0.2Y$ and investment expenditure is Rs 100 crores, then	

	<p>a. Determine the level of income when saving will become zero.  A: <math>S = -50 + 0.2Y</math>  Putting <math>S = 0</math> in the saving function, we get <math>-50 + 0.2Y = 0</math>  <math>Y = 250</math></p> <p>b. Level of income when saving = investment.  <math>S = I = 100</math>  <math>-50 + 0.2Y = 100</math> Or <math>Y = 750</math></p> <p style="text-align: center;">OR</p> <p>Define:</p> <p>a. Ex-poste saving  A: It refers to actual investment in an economy during a year.</p> <p>b. Ex-ante investment – It refers to the amount which investors plan to invest for different levels of income in an economy.</p> <p>c. Under-employment equilibrium – It is a situation of deficient demand when eqm is determined at less than full employment level. In this situation there exists involuntary unemployment.</p> <p>d. Break-even point – It refers to the point at which consumption is equal to NI, i.e. <math>S = 0</math></p>	4
15	<p>The COVID 19 Virus has hit the Indian economy very hard and its impact is observed in all sectors of the Indian economy. Asian Development Bank says that India's GDP is going to contract by 9% in 2020-21. Because of the lockdown, there is a situation of deficient demand.</p> <p>Explain any <u>two</u> measures which may be adopted by the Government of India to rectify this unwanted situation of the Indian economy.</p> <p>A: a. Increase in Govt Spending                      b. Decrease in taxes    EXPLAIN</p>	4
16	<p>Identify whether the following two items will be included in Domestic income or National income of a country. Give reasons.</p> <p>a. Profits of a branch of State Bank of India in Germany.  A: It will be included in the NI as it is a part of NFIA . But it won't be included in domestic income as SBI branch of Germany is not a part of domestic territory of India.</p> <p>b. Profits earned by a branch of HSBC (foreign bank) in Delhi.  A: It will be included in the domestic income as these profits are earned within the domestic territory of India. However, it won't be included in the NI of India as it is a part of factor income paid abroad (Foreign bank is not a resident of India).</p>	3  3

	OR	
	<p>The value of nominal GNP of an economy was Rs 2500 crs in 2018. The value of GNP of that country during the same year, evaluated at the price of 2016 as base year was Rs 3000 crores.</p> <p>a. Calculate the value of the GNP deflator of the year in percentage terms.  A: <math>\text{GNP deflator} = \frac{\text{Nominal GNP}}{\text{Real GNP}} \times 100</math>  <math>= \frac{2500}{3000} \times 100 = 83.33</math></p> <p>b. Has the price level increased between the base year 2016 and 2018?  GNP deflator of 83% indicates that price level is reduced by 17% between the base year and the year under consideration.</p> <p>c. Write down <u>two</u> limitations of using GDP as an index of welfare of the country.  A: GDP cannot be taken as a satisfactory measure of welfare due to the following limitations:</p> <ul style="list-style-type: none"> <li>• Distn of GDP</li> <li>• Change in price</li> <li>• Non-monetary exchange</li> <li>• Externalities</li> <li>• Rate of population growth</li> </ul> <p>EXPLAIN any 2</p>	2 2 2
17	<p>Government of a country needs to reduce inequalities of income and wealth.</p> <p>a. Do you agree? Give reasons.  A: Inequalities in income and wealth reflect a section of the society being deprived of the basic necessities. Thus arises the necessities to reduce them.</p> <p>b. Explain any two budgetary measures by which this can be done.</p> <ul style="list-style-type: none"> <li>• A: Progressive taxation</li> <li>• Increasing Govt expenditure EXPLAIN</li> </ul> <p>c. Fiscal deficit is necessarily inflationary in nature. Do you agree? Give reasons in support of your answer.  A: Fiscal deficit is the difference between Govt's total exp and its total receipts (excluding borrowing). Such borrowings are financed by issuing new currency which may lead to inflation.  However, if borrowings are for infrastructural dev, this may lead to capacity building and may not be inflationary.</p>	2 2 2
	<b><u>PART B: INDIAN ECONOMIC DEVELOPMENT</u></b>	
18	<p>Opening of Suez Canal in the year 1869 drastically reduced the cost of transportation of goods between Britain and India.</p>	1

	OR	
	False, their primary motive was to get raw materials from India at cheap rates and o sell finished products of British industries in Indian market at higher prices.	
19	Agriculture was the focus points of first plan and the focus shifted to industries in the second five-year plan.	1
20	Industrial growth in Indian has recorded a slowdown in the period of economic reforms. What are the reasons for this?  d. All the above	1
21	<b>Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below:</b>  A. The trade policy reforms aimed at dismantling of quantitative restrictions on imports and exports R. Export duties have been removed to increase the competitive position of Indian goods in the international markets. <b>b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)</b>	1
22	Two instruments to safeguard the interests of farmers by the government: Fixation of minimum support price and Buffer stock.	1
23	Which of the following is false regarding SHG's? c. Introduced in 1982.	1
24	Relative poverty means: poverty of people in comparison to other people, regions or nations  Absolute poverty means: total number of people living below poverty line.	1
25	Rural poverty: people like landless agricultural labourers, cultivators  Urban poverty: street cobblers, beggars etc., it includes overflow of the rural poor who had migrated to urban areas in search of jobs.  Yes, it is correct to say that poverty has shifted from rural to urban areas (search of employment)	1
26	Imports has become cheaper and there is increase in profit margin on exports for domestic industries.	1
27	The productivity of human resources be increased by investing in education and health.	1
28	a. Existing human resources is further developed by becoming more educated and healthier, human capital formation takes place. This adds to the productive power of the country by increasing the efficiency of the workers.  b. Improves social outlook of the workers and helps to increase mobility of labour.  c. It raises the standard of living of people by increasing their incomes. (related points)	3

	OR	
	<p>Problems of human capital formation:</p> <ol style="list-style-type: none"> <li>a. Regional and gender inequality lowers the human development levels</li> <li>b. Migration of highly skilled labour termed as Brain –Drain, adversely affects the economic development.</li> <li>c. The process of human development is a long period policy because skill formation is time consuming. (related points)</li> </ol>	
29	<p>Creating employment opportunities for the unemployed will reduce poverty. Do you agree? Give reasons.</p> <p>Yes ,poverty is closely related to nature of employment.</p>	3
30	<p>a. “Process of globalisation has produced only positive results for India and other countries,”</p> <p>- <b>False:</b> it has produced positive as well as negative results. Globalisation has been criticized because:</p> <ol style="list-style-type: none"> <li>i. benefits more to developed countries as they are able to expand their markets in other countries.</li> <li>ii. it increased the economic disparities among nations and people.</li> </ol> <p>b. Economic reforms were widely criticized because it neglected agriculture sector. Do you agree:</p> <p><b>Yes, I agree with the given statement.</b></p> <ol style="list-style-type: none"> <li>i. public investment in agriculture sector was reduced in the reform period.</li> <li>ii. removal of fertilizer subsidy increased the cost of production, which adversely affected the small and marginal farmers. (any other related points)</li> </ol>	4
31	<p>a. Government established the institutional sources of credit with certain objectives. Mention the objectives.</p> <p>Government established the institutional sources with the following objectives:</p> <ol style="list-style-type: none"> <li>i. To provide adequate credit to farmers at a cheaper interest rate.</li> <li>ii. To assist small and marginal farmers in raising their agricultural productivity and maximizing their income.</li> </ol> <p>b. Discuss the institutional source of credit which is regarded as the Apex bank?</p> <p><b>NATIONAL BANK FOR AGRICULTURAL AND RURAL DEVELOPMENT (NABARD)</b> is regarded as the apex bank which coordinates the functioning of different financial institutions, working for expansion of rural credit:</p> <ol style="list-style-type: none"> <li>a. its objective is to promote health and strength of credit institutions.</li> <li>b. it also provides financial assistance to the non-farm sector, to promote integrated rural development and prosperity of backward rural areas.</li> </ol> <p style="text-align: center;">OR</p>	4



	<p><b>Agricultural marketing:</b> is a process that involves assembling, storage, processing, transportation, packaging, grading and distribution of different agricultural commodities across the country.</p> <p>The different policy instruments initiated by the government to improve agricultural marketing:</p> <p><b>a. Minimum support prices:</b></p> <p>to safeguard the interest of farmers, government fixes the minimum support prices of agricultural products like wheat, rice etc. such a price may be regarded as an offer price, at which the government is willing to buy any amount of grains from the farmers.</p> <p><b>b. Maintenance of buffer stocks:</b></p> <p>the food corporation of India (FCI) purchases wheat and rice at the procurement prices, to maintain buffer stock. It helps to ensure regularity in supply and stability in prices.</p> <p><b>c. Public distribution system (PDS):</b> PDS operates through a network of ration shops and fair price shops, which offer essential commodities at a price below the market price, to the weaker sections of the society.</p>	
32	<p>Government has launched a three-dimensional attack on poverty through different policies of poverty alleviation. Have they been successful? Give reasons for your answer.</p> <p>Different policies have been found unsatisfactory because of the following reason:</p> <ol style="list-style-type: none"> <li>i. lack of resources</li> <li>ii. unequal distribution of assets</li> <li>iii. improper implementation</li> <li>iv. lack of infrastructure</li> <li>v. lack of active participation of poor people.</li> </ol>	4
33	<p><b>a. Outsourcing:</b> refers to contracting out some of its activities to a third party which were earlier performed by the organization.</p> <p>Outsourcing has created lot of employment opportunities in India because:</p> <ol style="list-style-type: none"> <li>i. easy availability of cheap labour</li> <li>ii. availability of skilled manpower.</li> <li>iii. favourable government policies</li> <li>iv. international worthiness.</li> </ol> <p><b>b. 'Education contributes to economic growth'. Do you agree?</b></p> <p>Yes, I agree because:</p> <ol style="list-style-type: none"> <li>i. education confers higher earning capacity on people.</li> <li>ii. it gives better social standing and pride.</li> <li>iii. it enables one to make better choices in life.</li> <li>iv. it also stimulates innovations</li> </ol> <p><b>c. Stabilisation measures:</b> they refer to short-term measures which aim at:</p>	2+2+2

	<p>i. correcting weakness of BOP by maintaining sufficient foreign exchange reserves.</p> <p>ii. controlling inflation by keeping rising prices under control.</p> <p><b>Structural measures:</b> they refer to long-term measures which aim at:</p> <p>i. improving efficiency of the economy</p> <p>ii. increasing international competitiveness.</p>	
34	<p>a. <b>Global warming:</b> it is caused by man-made increases in carbon di oxide and other greenhouse gases, through the burning of fossil fuels and deforestation. It is one of the major causes of environmental crises today. It has led to climate change in the form of melting polar ice as a result of rise in sea level and coastal flooding etc.</p> <p>b. <b>Water contamination:</b> leads to spread of water-borne diseases like cholera, typhoid etc. these diseases damage the health of the people. As a result, their productive efficiency suffers.</p> <p>c. <b>Urbanization:</b> is taking place on account of migration of people from villages to the towns in search of jobs. To meet the growing demand for land to build cities, deforestation is taking place. This in turn contributes to the problem of overpopulated cities, causing all types of pollution.</p> <p>b. <b>Sustainable development:</b> is the development, which will allow all future generations to have a potential average quality of life, that is, at least as high, which is being enjoyed by the current generation.</p> <p>Nations can achieve sustainable development:</p> <p>i. use of non-conventional sources of energy.</p> <p>ii. use of cleaner fuels</p> <p>iii. establishment of mini-hydel plants.</p> <p>iv. use of biopest (explain the points)</p> <p style="text-align: center;">OR</p> <p>a. The biggest challenges world is facing today in terms of environment are:</p> <p>i. soil erosion</p> <p>ii. deforestation</p> <p>iii. water contamination</p> <p>iv. ozone depletion (explain the points)</p> <p>b. The following news item was printed in The Hindu: 'Delhi's air quality turns hazardous'. What possible steps can be taken to control the air pollution?</p> <p>Some of the steps are:</p> <p>i. promotion of public transport, instead of private vehicles.</p> <p>ii. promotion of cleaner fuels in vehicles like use of CNG instead of petrol and diesel</p>	3+3

	iii. promotion of cleaner technologies, strengthening of emission standards, introducing economic incentives and strengthening of the monitoring and reporting system.	
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