INDIAN SCHOOL AL WADI AL KABIR

ASSESSMENT I -2022-23

SET -1- ANSWER KEY

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.*

	SECTION A: MACRO ECONOMICS	
	c	
	a	
	J M Keynes	
	Macroeconomics	
	c	
	d	
	c	
	Budget is a statement of estimated (not actual) revenue and expenditure.	
	The balance of trade is in surplus when the imports of goods are less than the exports.	
	a	
	Revenue Budget contains both types of the revenue receipts of the government, i.e., Tax revenue and Non-tax revenue; and the Revenue expenditure. **(i) Revenue Receipts: These are the receipts that neither create any liability nor reduction in assets of the government. It includes tax revenues like income tax, corporation tax and non-tax revenue like fines and penalties, special assessment, escheat etc.** **(ii) Revenue Expenditure: An expenditure that neither creates any assets nor cause reduction of liability is called revenue expenditure. Ex: Exp on pension of Govt employees.**	
	a. A tax is a legally compulsory payment imposed by the government on income and profit of persons and companies without reference to any benefit. Tax is of two types: Direct tax and Indirect tax.	

b. Its impact and incidence lie on different persons.

c. Tax is not a capital receipt because it leads neither to creation of liability nor to reduction in assets.

d. The Govt uses the tax revenue to finance its various projects.

Giving reasons, state whether the following statements are true or false.

Question 1. In balance of payments, repayment of loans by Indian Government to American Government will be reflected as debit item.

Answer: True. It is so because it leads to outflow of foreign exchange.

Question 2. Accommodating items of trade are undertaken in order to maintain the balance in the BOP account.

Answer: True. Accommodating transactions are net consequences of autonomous transactions that are undertaken to correct disequilibrium in autonomous items of BOP.

Question 3. Excess of foreign exchange payments on account of accommodating transactions equals deficit in BOP.

Answer: False. Excess of foreign exchange payments on account of autonomous transactions equals deficit in BOP.

Question 4. Export and import of machines are recorded in capital account of BOP account.

Answer: False. Export and import of machines are considered as export and import of goods, that comes under current account of BOP account.

Question 5. Foreign exchange received on account of export of sugar will be X'ecorded in current account.

Answer: True. It is so because export of sugar is a export of goods which is a component of current account.

a. It refers to the excess of total budgeted expenditure (both revenue expenditure and capital expenditure) over total budgetary receipts (both revenue receipt and capital receipt).

b. Rs 10000

c. Developmental and non-developmental Expenditure:

(i) Developmental Expenditure: Developmental expenditure is the expenditure on activities which are directly related to economic and social development of the country. This includes expenditure on research, education, health, agriculture, transport, roads, rural development etc. This also includes loans given by the government to enterprises like Sahara for the purpose of development.

	(ii) Non-developmental Expenditure: Non-developmental expenditure of the government is the expenditure on the essential general services of the government. This includes expenditure on defence, payment of old age pension, collection of taxes, interest on loans, subsidies etc. **DEV Vs NON-DEV EXP:** *** Dev exp directly contributes to the dev of the economy, whereas non-dev exp does not directly contribute to the dev of the economy, but it lubricates the wheel of eco dev.** *** Dev exp is productive in nature as it adds to the flow of g n s, whereas , non-dev exp is not concerned with the productivity of working class.** **How to classify an exp as dev and non-dev exp:** **d. It is a Dev Exp, if If it directly adds to the flow of g n S.** **e. It is a Non-Dev Exp, if If it indirectly contributes to eco dev. f.** **1. Distinguish between devaluation and depreciation of domestic currency** **Ans. When Government or authorities reduce the price of domestic currency in terms of all foreign currencies is called devaluation. The fall in market price of domestic currency (due to demand supply in the market) in terms of a foreign currency is called depreciation.** **2. When price of a foreign currency rises its supply also rises. explain why?** **Ans. If exchange rate increases, this will make domestic country's goods cheaper to foreigners. The demand for our exports will rise. It implies more supply of foreign exchange.** **3. If Balance of payment of a country is Rs (-) 100 crores and total payment are Rs 500 crores. Find out its total receipts.** **Ans. Balance of Payment = Total receipts- Total payments** **Total receipts= Total Payment +BOP** **= 500 + (-100)** **= 500-100=400 Ans Rs 400 crores**	
	SECTION B: INDIAN ECONOMIC DEVELOPMENT	
18	**When was India's first official census operation undertaken?** ANS.(A)1881	1
19	**In which type of economy means of production are owned, controlled and operated by the govt.** B	1
20	**Which of the following is not an example of physical capital:** Education and Knowledge in people	1

21	**In which five-year plan importance of human capital recognized:** Seventh	1
22	In how many sectors is the occupational structure of India is divided? Three	1
23	- agrarian	1
24	- Raw materials	1
25	**Answer: d**	1
26	Outsourcing	1
27	a. 8th November 2016	1
28	Self-reliance implies discouraging the imports of those goods that could be produced domestically. Achieving self-reliance is of prime importance for a developing country like, India as otherwise, it would increase the country's dependence on foreign products. Dependence on foreign goods and services can promote economic growth of India but this would not contribute to the development of domestic productive resources. Dependence on foreign goods and services provides impetus to foreign country's industries at the cost of domestic infant industries. Further, imports drain away the scarce foreign reserves that are of prime importance to any developing and underdeveloped economy. Therefore, achieving self-reliance is an important objective for developing countries in order to avoid themselves from being acquiescent to the developed nations.	3
29	Yes, outsourcing is good for India. The following points suggest that outsourcing is good for India. **1. *Employment*:** For a developing country like India, employment generation is an important objective and outsourcing proves to be a boon for creating more employment opportunities. It leads to generation of newer and higher paying jobs. **2. *Exchange of technical know-how*:** Outsourcing enables the exchange of ideas and technical know-how of sophisticated and advanced technology from developed to developing countries. **3. *International worthiness*:** Outsourcing to India also enhances India's international worthiness credibility. This increases the inflow of investment to India. However, Outsourcing to India is good but developed countries oppose this because outsourcing leads to the outflow of investments and funds from the developed countries to the less developed countries. Also the MNCs contribute more to the development of the host country than the home country. Further, outsourcing reduces the employment generation in the developed countries as the same jobs can be done in the less developed countries at relatively cheap wages. Moreover, this leads to job insecurity in the developed countries as at a point of time jobs can be outsourced to the developing countries. (any other related points)	3
30	a. c) The market was big enough to encourage private industrialists for investment. b. protecting domestic industries from international competition. (or any other valid answer) c. True d. A strategy that emphasizes the replacement of imports with domestically produced goods, rather than the production of goods for export, to encourage the development of domestic industry.	4

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<tr><td>31</td><td>Positive:
a. overall increases in GDP
b. service sector growth has increased
c. flow of FDI has increased
d. successful in exporting
Negative:
a. basic problems were ignored
b. agriculture sector did not benefit
c. industries no -growth
d. disinvestment (any other related points)</td><td>4</td></tr>
<tr><td>32</td><td>a. Health infrastructure:
There is a saying “The greatest wealth is health”. The wealth of a country can be increased with the efforts of healthy workforce. Investment in health sector increases efficiency, efficacy and productivity of a nation’s workforce. In contrast to an unhealthy person, a healthy person can work better with more efficiency and, consequently, can contribute relatively more to the GDP of the country. Good health and medical facilities not only increase life expectancy but also improves quality and standard of life. Investment in health sector ensures the perennial supply of healthy workforce. Some of the common expenditures incurred in the health sector are on providing better medical facilities, easy availability of life saving drugs, common vaccination, spread of medical knowledge, provision of proper sanitation and clean drinking water, etc. Thus, the expenditure incurred on health is important in building and maintaining a productive work force that in turn leads to the development of quality human capital in a country.
b. Expenditure on migration:
Migration refers to the movement of people from underdeveloped or developing countries to t developed countries in search for better avenues. Migrations contribute to human capital formation as it facilitates the utilisation of inactive or underdeveloped skills of an individual. The cost of migration involves cost of transportation, and cost of living at the migrated places. Usually, the cost of migration is very high due to the high cost of transportation and high cost of livelihood in the developed countries. But still, people migrate in search of better job opportunities and handsome salaries. Migration of human capital helps the underdeveloped countries to acquire technical skills, efforts reducing methods and efficient ways of performing tasks. These skills and know-how are transmitted by the migrated people to their home country that not only add to the economic growth and development but also enhance the human capital of the home country. If the gains from migration outweigh the migration costs then it can be inferred that migration leads to better utilisation of human capital skills.</td><td>4</td></tr>
<tr><td>33</td><td>Human capital is the stock of ‘skill and expertise’ of a nation at a point of time.
The problems of human capital formation are:
(i) High cost of human capital formation
(ii) Low levels of adult and agricultural education
(iii) Less priority to secondary education
(iv) Limited stock of human capital formation (any other related points)</td><td>6</td></tr>
<tr><td>34</td><td><table>
<tr><th>(iii)</th><th>Tariff Barriers</th><th>Non-tariff Barriers</th></tr>
<tr><td>a)</td><td>It refers to the tax imposed on the imports by the country to protect its domestic industries.</td><td>It refers to the restrictions other than taxes, imposed on imports by the country.</td></tr>
<tr><td>b)</td><td>It includes custom duties, export-import duties</td><td>It includes quotes and licenses.</td></tr>
<tr><td>c)</td><td>It is imposed on the physical units (like per tonne) or on value of the goods imported.</td><td>It is imposed on the quantity and quality of the goods imported.</td></tr>
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Bilateral Trade	Multilateral Trade
It is a trade agreement between two countries	It is a trade agreement among more than two countries.
This is an agreement that provides equal opportunities to both the countries.	This is an agreement that provides equal opportunities to all the member countries in the international market