



**INDIAN SCHOOL AL WADI AL KABIR
DEPARTMENT OF COMMERCE**

FIRST REHEARSAL EXAMINATION -2023-24

DATE:07/12/2023

ECONOMICS (030)

MARKS: 80

SET-1


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): At the Break-Even point consumption is equal to national income. Reason(R): APC falls continuously with an increase in income as the proportion of income spent on consumption keeps on decreasing. Alternatives: a. Both Assertion and Reason are true and Reason (R) is the correct explanation of Assertion (A). b. Both Assertion and Reason are true and Reason (R) is not the correct explanation of Assertion c. Assertion (A) is True but Reason (R) is False. d. Assertion (A) is False but Reason (R) is True.	1
2	GDP at market Price is: a. Inclusive depreciation b. Inclusive of Indirect Taxes c. Exclusive of subsidies d. All the above	1
3	Read the following statements carefully: Statement 1: Aggregate demand is the sum total of consumption and investment expenditures. Statement 2: Total consumption consists of an autonomous component and an induced component. 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	<p>Gifts and grants received from abroad are recorded on which side of BOP account?</p> <p>a) Credit side of current account b) Debit side of current account c) Credit side of capital account d) Debit side of capital account</p>	1										
5	<p>Which of the following is a step that the central bank will take to increase the overall availability of credit?</p> <p>a. It will sell the government securities in the market b. It will buy more government securities from the market c. It will raise the reverse repo rate d. It will raise the repo rate</p>	1										
6	<p>Which of the statements gives an accurate picture of the effect of the increase in the repo rate?</p> <p>a. The money supply in the country will decrease b. The money supply in the country will increase c. The money supply in the country will increase initially and then decrease d. There is no effect on the money supply in the country</p>	1										
7	<p>From the set of statements given in Column I and Column II, choose the correct pair of statements:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: center;">Column I</th> <th style="text-align: center;">Column II</th> </tr> </thead> <tbody> <tr> <td>A. When AD is more than AS</td> <td>(i) Planned inventory would rise above the desired level</td> </tr> <tr> <td>B. Investment Multiplier</td> <td>(ii) $\Delta I/\Delta Y$</td> </tr> <tr> <td>C. When saving is less than Investment</td> <td>(iii) Planned inventory would fall below the desired level</td> </tr> <tr> <td>D. Multiplier</td> <td>(iv) Inversely related to MPC</td> </tr> </tbody> </table> <p>Alternatives:</p> <p>a. A - (i) b. B - (ii) c. C - (iii) d. D - (iv)</p>	Column I	Column II	A. When AD is more than AS	(i) Planned inventory would rise above the desired level	B. Investment Multiplier	(ii) $\Delta I/\Delta Y$	C. When saving is less than Investment	(iii) Planned inventory would fall below the desired level	D. Multiplier	(iv) Inversely related to MPC	1
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8	<p>“Managed floating exchange rate is also called dirty floating exchange rate, because”.</p> <p>a) A country uses it against other countries for self interest b) Government has to hold huge reserves of foreign exchange c) Both (a) and (b) d) None of the above</p>	1										
9	<p>What is the value of the investment multiplier, when the Marginal Propensity to Consume (MPC) is 0.1?</p> <p>a. 10 b. 1.1 c. 0.01 d. 100</p>	1										
10	<p>Read the following statement given below and choose the correct alternative</p> <p>Assertion (A) – Unilateral transactions are an example of current account component Reason (R)- Capital account is recurring in nature.</p> <p>a) Both assertion and reason are true. Reason is the correct explanation of assertion b) Both assertion and reason are true. Reason is not the correct explanation of assertion c) Assertion is true but reason is not d) Reason is true but assertion is not</p>	1										

11	Visits of foreign countries for sightseeing etc. by the people of India is on the rise. What will be its likely impact on foreign exchange rate and how?	3																
12	<p>Calculate COE.</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;">Amount (in ₹ crores)</th> </tr> </thead> <tbody> <tr> <td>i. Profits after tax</td> <td style="text-align: center;">20</td> </tr> <tr> <td>ii. Interest</td> <td style="text-align: center;">45</td> </tr> <tr> <td>iii. Gross Domestic Product at market price</td> <td style="text-align: center;">200</td> </tr> <tr> <td>iv. Goods and Services Tax</td> <td style="text-align: center;">10</td> </tr> <tr> <td>v. Consumption of Fixed Capital</td> <td style="text-align: center;">50</td> </tr> <tr> <td>vi. Rent</td> <td style="text-align: center;">25</td> </tr> <tr> <td>vii. Corporate Tax</td> <td style="text-align: center;">5</td> </tr> </tbody> </table> <p style="text-align: center;">OR</p> <p>Define externalities. Give an example of negative externality. What is its impact on welfare?</p>	Items	Amount (in ₹ crores)	i. Profits after tax	20	ii. Interest	45	iii. Gross Domestic Product at market price	200	iv. Goods and Services Tax	10	v. Consumption of Fixed Capital	50	vi. Rent	25	vii. Corporate Tax	5	3
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13	<p>a. If in an economy Saving function is given by $S = (-) 50 + 0.2 Y$ and $Y = ₹ 2000$ crores; consumption expenditure for the economy would be ₹ 1,650 crores and the autonomous investment is ₹ 50 crores and the marginal propensity to consume is 0.8. True or False? Justify your answer with proper calculations.</p> <p>b. Why should price rise only after full employment?</p>	4																
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>Read the following extract and answer the questions that follow:</p> <p>Keeping in view the continuing hardships faces by banks in terms of social distancing of staff and consequent strains on reporting requirements, the RBI 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>“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 the money multiplier? iii. Define SLR. iv. If the CRR is decreased, what effect it will have on the economy?</p>	4																
16	<p>a. Explain why public goods must be provided by the government. b. ‘The fiscal deficit gives the borrowing requirement of the government.’ Elucidate. c. Give the relationship between the revenue deficit and the fiscal deficit.</p> <p style="text-align: center;">OR</p>	6																

	<p>a. From the following data find a. Revenue Deficit b. Fiscal deficit c. Primary deficit.</p> <table border="1" data-bbox="349 132 1214 401"> <thead> <tr> <th>Items</th> <th>In Rs Crores</th> </tr> </thead> <tbody> <tr> <td>i. Plan capital Expenditure</td> <td>13000</td> </tr> <tr> <td>ii. Revenue Expenditure</td> <td>11000</td> </tr> <tr> <td>iii. Non-plan capital expenditure</td> <td>9000</td> </tr> <tr> <td>iv. Revenue receipts</td> <td>8000</td> </tr> <tr> <td>v. Capital receipts net of borrowing</td> <td>15000</td> </tr> <tr> <td>vi. Interest payments</td> <td>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>	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	
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17	<p>a. ‘Circular flow of income in a two-sector economy is based on the axiom that one’s expenditure is the other’s income’. Do you agree with the given statement? Support your answer with valid reasons.</p> <p>b. “Machine purchased by a firm is always a capital good.” Do you agree with the given statement? Give valid reasons for your answer.</p> <p>c. Suppose in a hypothetical economy there are only two Firms A and B. Firm A sold goods for ₹ 2,000 to Firm B and purchased goods for ₹ 1,000. Firm B exported goods for ₹ 2,500 and had domestic sales of ₹ 1,500. Calculate Net Domestic Product at market price, if consumption of fixed capital is ₹ 200.</p>	6														
SECTION – B: INDIAN ECONOMIC DEVELOPMENT																
18	<p>Which of the following steps promoted the growth of the economy as a whole by stimulating the development of industrial and tertiary sectors?</p> <p>a. Independence b. Planning c. Colonial rule d. Green revolution</p>	1														
19	 <p>What situation of China does the above picture depict?</p> <p>a. Aging of population b. Exponential population growth c. Demographic Dividend d. One child policy</p>	1														
20	<p>The government of India implemented GST following the credo of_____.</p> <p>a. One nation, one tax and one market b. One nation, one market and one tax c. One tax, one market and one nation d. One tax, one nation and one market</p>	1														

21	<p>Which of the following is not related to agriculture marketing?</p> <p>a. Storage b. Preservation c. Processing d. Use of chemical fertilizers.</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): In 1991, India met with an economic crisis relating to its internal debt. Reason (R): The origin of the financial crisis can be traced from the inefficient management of the Indian economy in the 1980s</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 the following is the main reason for understanding the economy of neighbouring countries?</p> <p>a. Understanding the economy of neighbouring countries allows a nation to identify its competitors b. Understanding the economy of neighbouring countries is essential for the scope of overall human development c. Understanding the economy of neighbouring countries allows a nation to identify strengths and weaknesses d. All of the above</p>	I
24	<p>Which source of credit had emerged to fully integrate the formal credit system into the overall rural social and community development?</p> <p>a. Self-help Groups b. Regional Rural Banks c. Commercial Banks d. Land Development Banks</p>	1
25	<p>Arrange the following events of China in chronological order and choose the correct alternatives:</p> <p>i. Great Leap Forward Campaign. ii. Great Proletarian Cultural Revolution iii. Introduction of Economic Reforms iv. First Five-year plan</p> <p>a. iv, i, ii, iii b. ii, i, iii, iv c. iii, ii, i, iv d. iv, ii, iii, i</p>	1
26	<p>Read the following statements carefully:</p> <p>Statement 1: Workers in informal sector do not get regular income. Statement 2: They do not have any protection or regulation from the government. 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 1224 470"> <thead> <tr> <th data-bbox="347 170 786 212">Column I</th> <th data-bbox="786 170 1224 212">Column II</th> </tr> </thead> <tbody> <tr> <td data-bbox="347 212 786 247">A. Dual pricing</td> <td data-bbox="786 212 1224 247">(i) Economic reforms of 1991</td> </tr> <tr> <td data-bbox="347 247 786 317">B. Setting up of Special Economic Zones in China</td> <td data-bbox="786 247 1224 317">(ii) To attract foreign direct investment</td> </tr> <tr> <td data-bbox="347 317 786 394">C. Commune system</td> <td data-bbox="786 317 1224 394">(iii) Backyard based industrial production units</td> </tr> <tr> <td data-bbox="347 394 786 470">D. Great Proletarian Cultural Revolution</td> <td data-bbox="786 394 1224 470">(iv) Collective farming</td> </tr> </tbody> </table> <p>Alternatives: a. A - (i) b. B - (ii) c. C - (iii) d. D - (iv)</p>	Column I	Column II	A. Dual pricing	(i) Economic reforms of 1991	B. Setting up of Special Economic Zones in China	(ii) To attract foreign direct investment	C. Commune system	(iii) Backyard based industrial production units	D. Great Proletarian Cultural Revolution	(iv) Collective farming	1
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28	<p>The traditional handicrafts industries were ruined under the British rule. Do you agree with this view? Give reasons in support of your answer.</p> <p style="text-align: center;">OR</p> <p>What was the state of various sectors at the time of independence? Elaborate.</p>	3										
29	<p>What is organic farming? How does it promote sustainable development?</p>	3										
30	<p>“China is ahead of India and Pakistan on many human development indicators”. Explain various factors that led to the rapid growth in economic development in China.</p>	4										
31	<p>a. State giving valid reasons, whether the given statement is true or false: “‘There is no difference between labour force and workforce’”.</p> <p>b. Describe the principal measures initiated by the government to improve marketing system for the farmers in India.</p> <p style="text-align: center;">OR</p> <p>“‘Though India has witnessed slow growth of employment, yet people cannot remain completely unemployed for very long time in India’”. Explain.</p>	4										
32	<p>“Google in India has hired 4,000 graduate students.”</p> <p>The given statement deals with formal sector or informal sector employment? Since independence the union and State governments have played an important role in generating employment or creating opportunities for employment generation. Their efforts can be broadly categorized into direct and indirect Explain them.</p>	1+3										
33	<p>a. How did government ensure that the small farmers also benefit from the Green Revolution as the rich farmers</p> <p>b. Justify the following statement with a valid explanation: “‘Land ceiling promotes equity’”. Support the given statement with valid reason.</p> <p style="text-align: center;">OR</p> <p>a. Why were the land reforms not implemented successfully?</p> <p>b. “‘Recently the Government of India has decided to merge MTNL and BSNL on account of rising losses.’” Justify the steps taken by the Government of India.</p>	3+3										
34	<p>Read the following hypothetical text and answer the given questions: - Environmental degradation owes a great deal to supply-demand reversal of resources over a period of time. Prior to industrialization, when the pace of life was slow, demand for natural resources did not exceed their supply. Man lived as a component of nature, never as its</p>	1+2+3										

commander or its exploiter. As industrialization progressed, there was a surge in human wants. Accordingly, there has been an exponential growth in demand for natural resources, leading to their overuse as well as misuse. Supply of resources has suffered a reversal from abundance to paucity. Demand, on the other hand, has reversed from manageable to unmanageable limits. The pressure on the absorptive capacity of the environment increased tremendously. Environmental crises occur when carrying capacity of the environment is challenged through excessive exploitation of natural resources and/or through excessive generation of wastes.

1. Which of the following is/are the main cause/s of supply-demand reversal of resources?

- a. Industrialization
- b. Population explosion
- c. Increased consumerism
- d. All of these

2. Define the following:

- a. Absorptive capacity of the environment
- b. Carrying capacity of environment

3. State and discuss the causes of environmental degradation..