

Practice Questions
Session 2022-23
ECONOMICS (030)
CLASS: XII

Time: 3 Hours

Maximum Marks: 80

GENERAL INSTRUCTIONS:

1. This question paper contains two sections:

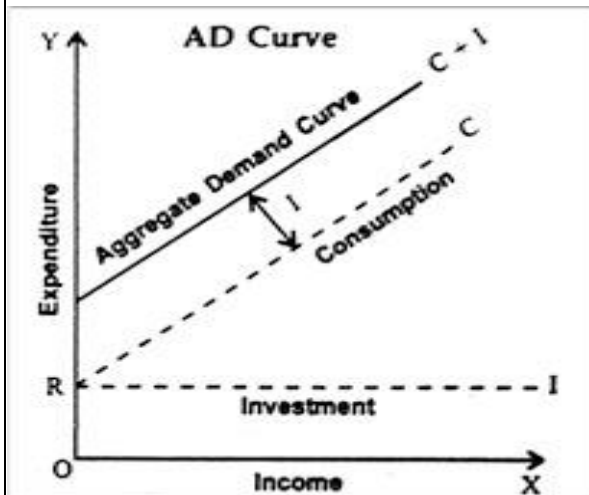
Section A – Macro Economics

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.

Q.No	SECTION A – MACRO ECONOMICS	Marks
Q.1	<p>Read the following statements carefully:</p> <p>Statement 1: Aggregate demand is the sum total of consumption and investment expenditures.</p> <p>Statement 2: Total consumption consists of an autonomous component and an induced component.</p> <p>Choose the correct option based on the above statements.</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
Q.2	<p>“The World Bank has been extending loans to Country X on favourable terms for infrastructure, poverty alleviation, and rural development projects for four decades.”</p> <p>Identify the reason for these loans to be listed as external assistance under the capital account of the Balance of Payments.</p>	1

	<p>A. The loans have been taken from an entity outside the country.</p> <p>B. The loans aim to improve the standard of living in the country.</p> <p>C. The loans have crossed the three-decade period.</p> <p>D. The loans can be paid off over a longer period.</p>	
Q.3	<p>The Reserve Bank of India can increase the money supply in the economy by _____. (Choose the correct alternative)</p> <p>A. demonetisation of currency</p> <p>B. buying government bonds</p> <p>C. increasing the cash reserve ratio</p> <p>D. persuading banks to discourage loans</p>	1
Q.4	<p>There are two statements given below, marked as Statement (1) and Statement (2). Read the statements and choose the correct option.</p> <p>Statement (1): The Balance of Payments is a key economic indicator of a country's economic well-being.</p> <p>Statement (2): It is a summary of all economic transactions of a country and the rest of the world in a given financial year.</p> <p>A. Statement 1 is true and statement 2 is false</p> <p>B. Statement 1 is false and statement 2 is true</p> <p>C. Both statements 1 and 2 are true</p> <p>D. Both statements 1 and 2 are false</p>	1
Q.5	<p>Given below are some basic activities that occur in an economy. Identify the activity that would not help to study the economy in its totality?</p> <p>A. government introducing policies</p> <p>B. aggregate demand and supply of goods</p> <p>C. determination of the consumer's equilibrium</p> <p>D. determination of equilibrium level of income and employment</p> <p style="text-align: center;">OR</p> <p>The total consumption and investment curves are given below:</p>	1



Identify which of the following represents “Autonomous Consumption”.

- A. OR
- B. RC
- C. RY
- D. RI

Q.6 As the Marginal Propensity to Save (MPS) increases, the value of the investment multiplier _____. (Choose the correct alternative)

- A. increases
- B. decreases
- C. becomes zero
- D. does not change

OR

What is the value of the investment multiplier, when the Marginal Propensity to Consume (MPC) is 0.1?

- A. 10
- B. 1.1
- C. 0.01
- D. 100

Q.7 Which of these do not fall under the purview of the Central Bank?

- P: controlling money supply
- Q: providing loans to citizens
- R: issuing currency
- S: holding foreign exchange reserves

Alternatives:

	$C. Y = \frac{\bar{C} + \bar{I}}{1 - MPC}$	$D. Y = \frac{\bar{C} + \bar{I}}{MPC}$															
Q.11	<p>Study the table given below which has information about two firms of an economy.</p> <table border="1"><thead><tr><th></th><th>Wages (in ₹)</th><th>Profits (in ₹)</th><th>Interest (in ₹)</th><th>Rent (in ₹)</th></tr></thead><tbody><tr><td>Firm A</td><td>50</td><td>150</td><td>100</td><td>100</td></tr><tr><td>Firm B</td><td>90</td><td>210</td><td>100</td><td>100</td></tr></tbody></table> <p>Further, it should be noted that-</p> <p>1. Net Factor Income from Abroad is (-) ₹ 20</p> <p>2. Employee's contribution to the Social Security Fund by Firm A and Firm B is ₹ 5 and ₹ 10 respectively</p> <p>Calculate the National Income.</p>		Wages (in ₹)	Profits (in ₹)	Interest (in ₹)	Rent (in ₹)	Firm A	50	150	100	100	Firm B	90	210	100	100	3
	Wages (in ₹)	Profits (in ₹)	Interest (in ₹)	Rent (in ₹)													
Firm A	50	150	100	100													
Firm B	90	210	100	100													
Q.12	<p>a) When does a Current Account Surplus situation arise?</p> <p>b) Discuss its significance in an economy.</p> <p style="text-align: center;">OR</p> <p>Venture capital refers to the funding provided by investors to small or start-up businesses with strong potential for growth.</p> <p>In light of the above statement, how does the process of devaluation of a currency affect Foreign Direct Investment or Portfolio investment?</p>	3															
Q.13	<p>In an economy, the initial income was ₹1000 crore which increased by ₹ 2500 crore.</p> <p>Given $MPS = 0.3$, $\bar{C} = ₹500$, calculate the investment expenditure at the increased level of income.</p>	4															
Q.14	<p>Assuming that there exists a situation of excess demand in an economy leading to an inflationary gap.</p> <p>a) What is the impact of excess demand in the economy</p> <p>b) Explain any two monetary measures that can help to control this situation.</p>	4															

Q.19	<p>Identify the classification that falls outside the purview of the Industrial Policy Resolution, of 1956. (Choose the correct alternative)</p> <p>A. public-private industrial partnership B. multinational corporations C. public sector industries D. privately owned</p> <p style="text-align: center;">OR</p> <p>Identify an argument that supports the agricultural subsidies in India. (Or, Choose a justification that supports India's agricultural subsidies.)</p> <p>A. reduces the gap between the rich and poor farmers B. reduces government spending on agriculture C. unpopularity of the HYV seeds D. supports fertiliser industries</p>	<p>1</p> <p>1</p>
Q.20	<p>Under the Great Leap Forward (GLF) campaign in China initiated in 1958, people were encouraged to set up industries in their backyards.</p> <p>Identify the primary goods these backyard industries would have produced.</p> <p>A. perishable food items B. small car parts C. plastic toys D. textiles</p> <p style="text-align: center;">OR</p> <p>Identify the developmental initiatives oriented by Pakistan during the 1970s and 80s that helped the country in stimulating economic growth.</p> <p>A. agrarian reforms B. de-nationalisation C. import substitution D. investment in education and health</p>	<p>1</p> <p>1</p>
Q.21	<p>Kavitha, a farmer in rural India, is a recipient of a government scheme named _____. This scheme helps her set up a bank account and provides insurance, overdraft and other social security benefits.</p> <p>A. Sansad Adarsh Gram Yojana B. Jan-Dhan Yojana C. Kudumbashree</p>	1

	D. NABARD	
Q.22	<p>" In 1994, Maulik worked in an automotive manufacturing company owned by the government of India. It was soon to be disinvested and privatized by the government. As a result, Maulik planned for a job shift and explored other sectors that could guarantee him greater growth in the future."</p> <p>In light of the nation's political and economic situation at the time, which of the following professions would have fulfilled his expectations?</p> <p>A. mining B. tourism C. textile industry D. information technology</p>	1
Q.23	<p>There are two statements given below, marked as Assertion (A) and Reason (R). Read the statements and choose the correct option.</p> <p>Statement(1): The ratio of employed women in urban areas is generally lower than that of employed women in rural areas.</p> <p>Statement(2): There are a higher number of low-income employment opportunities available in rural areas than in urban areas.</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
Q.24	<p>There are two statements given below, marked as Statement (1) and Statement (R). Read the statements and choose the correct option.</p> <p>Statement (1): Both India and China initiated industrial reforms with the creation of agricultural communes.</p> <p>Statement (2): Both countries are primarily agrarian in nature with all sectors depending on the primary one.</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

Q.28	(a) Define sustainable development. (b) Everyone has a moral obligation to promote sustainable development. Do you agree with the given statement? Justify your answer with a valid argument.	3																
Q.29	Amazon has been outsourcing to various customer support companies in India to accommodate more local and international buyers and sellers. In light of the above statement, how has the process of globalisation impacted the Indian economy? OR Suppose you are a small farmer in rural India. State any three challenges you are likely to face while shifting to organic farming.	3 3																
Q.30	Given below are some statistics related to India, China and Pakistan. <table border="1"><thead><tr><th>Country</th><th>Population (millions)</th><th>Fertility rate</th><th>Urbanisation (%)</th></tr></thead><tbody><tr><td>India</td><td>1352</td><td>2.2</td><td>34</td></tr><tr><td>China</td><td>1393</td><td>1.7</td><td>59</td></tr><tr><td>Pakistan</td><td>212</td><td>3.6</td><td>37</td></tr></tbody></table> Compare and contrast China's demographic statistics with its neighbours.	Country	Population (millions)	Fertility rate	Urbanisation (%)	India	1352	2.2	34	China	1393	1.7	59	Pakistan	212	3.6	37	4
Country	Population (millions)	Fertility rate	Urbanisation (%)															
India	1352	2.2	34															
China	1393	1.7	59															
Pakistan	212	3.6	37															
Q.31	“The world has experienced two primary types of economic systems along with a hybrid one” Elaborate on the given statement. OR Briefly describe why the government had to intervene in the implementation of the Green Revolution, and the various steps it took to protect small farmers.	4 4																
Q.32	Why should migration and social medicine be viewed as investments in human capital? Justify with reasons.	4																
Q.33	'Kudumbashree' is a woman-oriented community-based poverty reduction programme being implemented in Kerala. In 1995, a thrift and credit society was started as a small savings bank for poor women with the objective to encourage savings. The thrift and credit society mobilised ₹1 crore as thrift savings. These societies have been acclaimed as the largest informal banks in Asia in terms of participation and savings mobilised. <i>Source: www.kudumbashree.com, NCERT</i> Based on this passage, a) Discuss the role of Self-Help Groups (SHGs) in meeting the credit requirements of the poor. b) List some of the drawbacks of such micro-credit programmes.	6 3 3																

	<p style="text-align: center;">OR</p> <p>(a) <i>'Modernisation does not refer only to the use of new technology but also to changes in the social outlook.'</i> Source: NCERT</p> <p>Analyse the above statement with reference to the core ideas that the government aimed to promote in the newly independent India.</p> <p>(b) List some economic costs of unemployment.</p>	
Q.34	<p>Read the passage given below and answer the questions that are followed.</p> <p>In the early 1980s, textile mills all over the country began to close down. In some places, such as Mumbai, the mills closed rapidly. In Ahmedabad, the process of closure was long drawn out and spread over 10 years. Over this period, approximately over 80,000 permanent workers and over 50,000 non-permanent workers lost their jobs and were driven to the informal sector. The city experienced an economic recession and public disturbances, especially communal riots. A whole class of workers was thrown back from the middle class into the informal sector, into poverty. There was widespread alcoholism and suicides, and children were withdrawn from school and sent to work. (Source: NCERT)</p> <p>(a) How did the primary goals listed in the five-year plans aim to deal with the given crisis?</p> <p>(b) 'Recession and unemployment go hand in hand.' Explain the above statement in context to the given passage.</p>	<p>3</p> <p>3</p>

(END)

Practice Questions – Marking Scheme
Session 2022-23
CLASS 12
ECONOMICS (030)

Q. No	SECTION A - MACRO ECONOMICS	MARKS
Q.1	B. Both statements are true.	1
Q.2	B. The loans aim to improve the living conditions in the country.	1
Q.3	B. Buying government bonds	1
Q.4	C. Both statements 1 and 2 are true	1
Q.5	C. determination of the consumer's equilibrium	1
	OR	1
	A. OR	
Q.6	B. decreases	1
	OR	
	B. 1.1	1
Q.7	B. only Q	1
Q.8	B. Oil India Limited (OIL) purchasing crude oil from Iraq.	1
	OR	1
	B. There is an inverse relationship between the current and the capital account.	
Q.9	C. Both statements 1 and 2 are true	1
Q.10	C. $Y = \frac{\bar{C} + \bar{I}}{1 - MPC}$	1
Q.11	NDP (factor cost) = 50+150+90+210+100+100+100+100 = Rs. 900	3
	National Income= Net National Product (factor cost) = Net Domestic Product (factor cost) + Net Factor Income from Abroad	
	NI= NNP (factor cost) = 900 + (-) 20= Rs. 880	

Q.12	<p>- trade - exports > imports - receipts > payments - employment - higher employment opportunities since there is an increased demand for domestic goods - investments - increased domestic and foreign investments than other countries since the country is exporting more. - more competitive market, advanced technology, optimum utilization of resources - appreciation on the value of the currency - any other relevant point (to be assessed as a whole)</p> <p style="text-align: center;">OR</p> <p>Devaluation would discourage venture capital. <u>Reasons:</u> a) The investors would find it comparatively more useful to invest in a country that has the system of flexible exchange rate regime. b) It gets difficult for a small business that is undergoing loss due to a reduction in the value of its currency, to pay a return on its investments and earn profits simultaneously.</p>	<p>3</p> <p>3</p>
Q.13	<p>$Y = 3500$ $s = 0.3$ $\bar{C} = 500$</p> <p>$Y = \bar{C} + bY + I$ $MPC = 1 - MPS$ $MPC = 1 - 0.3 = 0.7$</p> <p>$3500 = 500 + 0.7 \times 3500 + I$ $I = 3500 - 500 - 2450$ $I = \text{Rs. } 550$</p>	4
Q.14	<p>a) Effect on price - Increase in the general price level, Inflationary gap, b) effect on output- no change, c) effect on employment no change.</p> <p>Increase repo rate-increase bank rate- open market operations-increase CRR-increase reverse repo rate.</p>	4

Q.17	<p>(a)</p> <ul style="list-style-type: none"> - This statement is wrong. A national highway is a public good. - Even though money is collected from taxes, highways are non-rivalrous; one person consuming the service does not exclude another person from availing of its benefits. - Highways are also non-excludable. Even if there are citizens who do not pay, it is difficult to stop them from using it. <p>(to be assessed as a whole)</p> <p>(b)</p> <ul style="list-style-type: none"> - The government does this through its redistribution function. - By collecting taxes and making transfers, the government affects the personal disposable income of households. - This causes a redistribution of funds and is aimed at creating equality. <p>(to be assessed as a whole)</p> <p style="text-align: center;">OR</p> <p>a)</p> <ul style="list-style-type: none"> -promotion of social welfare -redistribution of income and wealth toward better causes -investment in human resources with regards to better education and health -comes under social justice for all which creates more productive resources <p>(to be assessed as a whole)</p> <p>(b)</p> <ul style="list-style-type: none"> i) Revenue receipts ii) Capital expenditure iii) Capital receipts 	<p>3</p> <p>3</p> <p>3</p> <p>3</p>
	SECTION B – INDIAN ECONOMIC DEVELOPMENT	
Q.18	C. scarcity of essential commodities	1
Q.19	<p>B. multinational corporations</p> <p style="text-align: center;">OR</p> <p>A. reduces gap between the rich and poor farmers</p>	<p>1</p> <p>1</p>
Q.20	<p>A. perishable food items</p> <p style="text-align: center;">OR</p> <p>B. denationalisation</p>	<p>1</p> <p>1</p>
Q.21	B. Jan-Dhan Yojana	1

Q.22	D. information technology	1
Q.23	C. Both statements 1 and 2 are true	1
Q.24	D. Both statements 1 and 2 are false	1
Q.25	B. absorptive OR C. thermal power	1 1
Q.26	C.Both statements 1 and 2 are true	1
Q.27	C. Both statements 1 and 2 are true	1
Q.28	(a) Sustainable development is the development that meets the needs of the present generation without compromising the needs of the future generations. (b) - Sustainable development requires the redistribution of resources to ensure that basic needs of all are met. - We all are morally obliged to protect the environment for the future generations and this can only be achieved using the route of sustainable development.	3
Q.29	- generates more employment and job opportunities - increases the overall GDP of the country - leads to the formalisation of the employment sector - limits the availability of social security measures for the workers -any other relevant point (any three to be assessed) OR - There may be problems with marketing produce. - Organic farming provides low yields. - Produce might have shorter shelf life and blemishes. - Off-season crops are limited and hence restrict choice. - Inadequate infrastructure and more labour required. (any three to be assessed)	3 3
Q.30	- China has a lower fertility rate than its neighbours which can be attributed to its one-child policy -Low fertility rate has resulted in an increased ratio of ageing population in China accompanied with a very low growth rate -India would overtake China as the most populous nation in the coming years	4

	<p>-a greater percentage of population in China would have access to urban amenities such as well-developed social infrastructure, improved transport and communication networks</p> <p>-Both India and Pakistan has a relatively larger population that is probably engaged in agricultural activities</p> <p>(to be assessed as a whole)</p>	
Q.31	<p>(a)</p> <p>- Capitalist system - This is a system dependent on market forces. Goods are produced based on demand and can be obtained only by those who have purchasing power.</p> <p>- Socialist system - Goods and services are provided by the government based on the needs of the society and not on who can purchase them. There is strictly no private property and everything is owned by the state.</p> <p>(b)</p> <p>- India follows a mixed economy.</p> <p>- The market will produce what it can, and market forces will be in play. But the government will provide what the market fails to do, and to those who cannot afford it.</p> <p style="text-align: center;">OR</p> <p>- Farmers using HYV needed reliable irrigation facilities, pesticides and fertilisers.</p> <p>- The small farmers would not have been able to reap the benefits of HYV if not for the State.</p> <p>- The government provided cheap credit, and subsidies on fertilisers and pesticides.</p> <p>- Research institutions provided new information and services to create varieties that were resistant to pest attacks, which reduced the risks for small farmers.</p>	<p>4</p> <p>4</p>
Q.32	<p>(a)</p> <p>- Migration takes place when people move to new places in search of opportunities, which involves a high cost.</p> <p>- The benefits of the migration, outweigh the expenditure and hence can be called an investment in human capital formation.</p> <p>(b)</p> <p>- Social medicine involves spreading health literacy amongst people. This creates healthy people and more productive labour.</p> <p>- Investments in social medicine directly lead to the increase of human</p>	<p>2</p> <p>2</p>

	capital in the labour market and hence can be called an investment in human capital formation.	
Q.33	<ol style="list-style-type: none"> 1. Poor women or women who do not have any collateral, were excluded from formal institutions of credit. 2. With Self-Help Groups, women are able to avail credit, with reasonable repayment plans. 3. Further, SHGs also receive funds as Community Investment Support Funds, to create self-employment 4. SHGs not only make credit accessible to poor women, but provide them with opportunities to generate their own income and make decisions. 5. SHGs foster a sense of community since the credit is disbursed from a pool of money contributed by all. This also holds them accountable to the group. 6. SHGs allow rural women to be financially empowered. (any other relevant point) <p style="text-align: center;">OR</p> <p>(a) The government wanted to increase the production of goods and services through new methods with the help of technology. But they also, through its various policies, simultaneously ensured that this progress in a socialist economy should be assessed in accordance with the –</p> <ol style="list-style-type: none"> 1. Equality of opportunities between men and women 2. Bridging the gap between the haves and have-nots. 3. Availability of basic infrastructural facilities to all. 4. Optimum utilization and distribution of resources -any other relevant point (any three points to be assessed) <p>(b) Following are some economic costs of unemployment:</p> <ol style="list-style-type: none"> 1. low production of goods and services 2. decreasing GDP 3. fall in government revenue 4. reduced demand for goods and services 5. stalled economic growth (any three points to be assessed) 	<p>6</p> <p>3</p> <p>3</p>

