

CBSE Class 12 Economics
Sample Paper 08 (2019-20)

Maximum Marks: 80

Time Allowed: 3 hours

General Instructions:

- i. All the questions in both the sections are compulsory. Marks for questions are indicated against each question.
 - ii. Question number 1 - 10 and 18 - 27 are very short-answer questions carrying 1 mark each. They are required to be answered in one word or one sentence each.
 - iii. Question number 11 - 12 and 28 - 29 are short-answer questions carrying 3 marks each. Answers to them should not normally exceed 60-80 words each.
 - iv. Question number 13 - 15 and 30 - 32 are also short-answer questions carrying 4 marks each. Answers to them should not normally exceed 80-100 words each.
 - v. Question number 16 - 17 and 33 - 34 are long answer questions carrying 6 marks each. Answers to them should not normally exceed 100-150 words each.
 - vi. Answer should be brief and to the point and the above word limit be adhered to as far as possible.
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Section A

1. Fill in the blanks: When the government tries to meet the gap of public expenditure and public revenue through borrowing from the banking system, it is called _____.
2. State whether the following are a stock or flow. (i) Population of a country (ii) Number of births.
3. APC can be greater than one when
 - a. The value of consumption exceeds the value of income
 - b. The value of consumption is equal to the value of income
 - c. The value of consumption does not exceed the value of income
 - d. The value of consumption is less than the value of income
4. How can Reserve Bank of India help in bringing down the foreign exchange rate which is very high?

OR

What is fixed exchange rate?

5. Direct tax is a tax which is imposed on
- a. Corporations only
 - b. None of these
 - c. Individuals only
 - d. Individuals and corporations

6. Fill in the blanks:

In an economy what we plan for intend (or intend or desire) to save during a particular period is called _____.

7. Fill in the blanks:

Guideline is the alternative name of _____.

8. State true or false:

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

9. Fill in the blanks:

A vicious circle set wherein the government takes more loans to repay earlier loans, which is called _____.

10. Match the following:

(a) Revenue receipt	(i) create asset for the govt.
(b) Revenue expenditure	(ii) create liability for the govt.
(c) Capital receipt	(iii) does not create any asset
(d) Capital expenditure	(iv) does not create liability for the govt.

11. Distinguish between fiscal deficit and primary deficit.

12. In an economy an increase in investment by Rs 100 crores led to increase in National Income by Rs 1,000 crores. Find Marginal Propensity to Consume and change in consumption expenditure.

OR

Explain the distinction between voluntary and involuntary unemployment.

13. Explain the 'medium of exchange' function of money.
14. "Balance of Trade and Balance of Payments reflect the actual position of the whole economy. With the help of BOT and BOP, analysis and comparisons can also be made that how much trade has increased or decreased, since the last period". In the light of above statement, point out the difference between BOT and BOP.

OR

Government takes measures to restrict autonomous imports of gold. Explain the economic values desired to be achieved from this.

15. Giving two examples explain the relation between the rise in price of a foreign currency and its demand.
16. (i) Every rational producer makes provision for depreciation to replace fixed assets after the expiry of an expected lifetime. He takes care of physical capital, but in the pursuit of increasing production, he must have been causing damage to natural capital (Resources and Environment). Suggest a solution to the problem.

(ii) Calculate GDP_{FC} from the following data:

Items	(Crore)
(i) Compensation of employees	800
(ii) Profit	200
(iii) Dividends	50
(iv) Gross national product at market price	1400

(v) Rent	150
(vi) Interest	100
(vii) Gross Domestic fixed capital formation	200
(viii) Net domestic capital formation	200

OR

Calculate from the following data:

- a. Gross Domestic Product at Market Price and
- b. Factor Income from Abroad

Items	(Rs.in Crore)
Profits	500
Exports	40
Compensation of employees	1500
Gross national product at factor cost	2800
Net current transfers from rest of the world	90
Rent	300
Interest	400
Factor income to abroad	120
Net indirect taxes	250
Net domestic capital formation	650
Gross fixed capital formation	700
Change in stock	50

17. Briefly state the concept of consumption function. Explain with schedule and diagram.

Section B

18. Why are structural reforms also referred to as ‘microeconomic structural adjustment measures’?

19. State true or false:

63 was infant mortality rate as per 2001 census.

20. Match the following:

(a) First plan	(i) self-sufficiency in food grain production
(b) Second plan	(ii) price stability
(c) Third plan	(iii) increase in agricultural production
(d) Fourth plan	(iv) development of heavy industry

21. Following are the major producers of marine products except

- a. Kerala
- b. Gujarat
- c. Maharashtra
- d. Punjab

22. Fill in the blanks:

Those workers who are paid on a contractual or daily basis and have no regularity of work are known as _____.

OR

Fill in the blanks:

Those resources which do not get exhausted with continuous usage are called _____ of energy.

23. Fill in the blanks:

_____ is the development which aims to develop the present generation without

affecting the quality of life of a future generation.

24. In which programme people were encouraged to form SHG

a. REGP

b. SISRY

c. SGSY

d. PMRY

25. Fill in the blanks:

_____ is the cost of next best alternative sacrificed in order to take benefit of one given opportunity.

26. Arrange these countries according to their HDI ranking from top to bottom (i) India (ii) China (iii) Pakistan. Options are as follow

a. III, I, II

b. I, II, III

c. I, III, II

d. II, I, III

27. China introduced major reforms in its economy in

a. 1977

b. 1975

c. 1978

d. 1979

28. 70 lakhs cars get added on the roads of metropolitans every year. Is it justified? What policy measures can you suggest?

OR

"Overall energy scene is none-too-happy." Comment.

29. How is the government expenditure on education expressed? Which in your opinion is a better measure?
30. What are the adverse effects of globalisation on the Indian economy?
31. Give the benefits of international trade.

OR

The objective of new economic policy was privatisation. Discuss.

32. Mention a comparison between India, Pakistan and China with regard to sectoral growth of output of different sectors by studying the following data.

Country	1980-90			2016-17		
	Agriculture	industry	service	agriculture	Industry	service
India	3.1	7.4	6.9	4.9	5.6	8
China	5.9	10.8	13.5	3.2	5.2	7.8
Pakistan	4	7.7	6.8	3.0	4.0	7.5

33. Distinguish between Green Revolution and Golden Revolution.
34. What are the main characteristics of health of the people of our country?

OR

What are the various types of unemployment?

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Solution
Section A

1. Deficit financing
2. (i) Stock: It is measured at a point of time.
(ii) Flow: It is measured per unit of time.
3. (a) The value of consumption exceeds the value of income **Explanation:**

$$APC=C/Y$$

$$APC>1 \text{ when } C>Y.$$

4. The Reserve Bank of India can help to bring down the high foreign exchange rate by selling foreign exchange from its reserve. As a result, the supply of foreign currency would increase in the foreign exchange market leading to the fall in its value.

OR

It is a system in which the central authority or government maintains their exchange rate, fixed either against gold or some other currency.

5. (d) Individuals and corporations **Explanation:** A direct tax is one the final burden of which is borne by the person/firm on whom it is imposed. These taxes are imposed on individuals and firms and they cant shift the burden of paying the tax to anyone else.
6. Ex-ante saving
7. Aggregate supply
8. True
9. Debt Trap

10. (a) - (iv), (b) - (iii), (c) - (ii), (d) - (i)

11. Differences between fiscal deficit and primary deficit are as under:

Basis	Fiscal deficit	Primary deficit
Meaning	It is the excess of total budget expenditure over the total budget receipts excluding borrowing. In simple words, it is the amount of borrowing the government has to resort to meet its expenses.	Primary deficit is defined as a fiscal deficit of current year minus interest payments on previous borrowings.
Calculation	Fiscal Deficit = Total Budget Expenditure - Total Budget Receipt (excluding borrowings).	Primary Deficit = Fiscal Deficit - Interest Payments.
Scope	It is broad or wide in scope.	Primary deficit is the part of fiscal deficit hence, narrow in scope.

12. Given,

Increase in Investment (ΔI) = Rs 100 crore

Increase in Income (ΔY) = Rs 1,000 crore

We know that,

$$\text{Investment Multiplier (K)} = \frac{\text{Change in Income}}{\text{change in Investment}} = \frac{\Delta Y}{\Delta I} = \frac{1,000}{100} = 10$$

$$\text{Also, } K = \frac{1}{1-MPC}$$

$$\text{So, } 10 = \frac{1}{1-MPC} \text{ Or } 10(1 - MPC) = 1,$$

$$10 - 10 MPC = 1 \Rightarrow -10MPC = 1 - 10 \text{ or}$$

$$MPC = -9/-10 = 9/10 = 0.9$$

i.e. Marginal Propensity to Consume = 0.9

$$MPC = \frac{\text{Change in Consumption}}{\text{Change in Income}}$$

$$0.9 = \frac{\text{Change in Consumption}}{1000}$$

$$0.9 \times 1000 = \text{Change in consumption}$$

900 = Change in consumption

So, we get the MPC = 0.9 and Change in Consumption as 900.

OR

Voluntary unemployment refers to a situation when people who are able to work but are not willing to work although suitable work is available for them. In other words, they are voluntarily unemployed. Involuntary unemployment is a situation in the economy when even if people are able and willing to work at existing wage rates, they are not getting work. Hence, they are unemployed against their wishes.

13.
 - i. Money, when used as a medium of exchange, helps to eliminate the basic limitation of barter trade, that is, the lack of double coincidence of wants.
 - ii. Individuals can exchange their goods and services for money and then can use this money to buy other goods and services according to their needs and convenience.
 - iii. Thus, the process of exchange shall have two parts: a sale and a purchase. Accordingly, the size of the market has considerably expanded. This accelerates the GDP growth.
 - iv. The ease at which money is converted into other goods and services is called “liquidity of money”. The level of production in the economy has substantially increased with the introduction of money.

14.

	Balance of Trade	Balance of Payments
1.	Balance of trade is a record of only visible items i.e. exports and imports of goods.	Balance of payments is a record of both visible items (goods) and invisible items (services)
2.	Capital Transfers are not included in the Balance of Trade.	Capital Transfers are included in Balance of Payment.
3.	Balance of trade can be in a deficit, surplus or balanced.	Balance of payments must always balance. Both the receipts and payment sides tallies.

.4.	Balance of trade is a narrower concept as it is only a part of the balance of payments account.	Balance of payments is a wider and more useful concept as it is a record of all transactions in foreign exchange.
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OR

The economic values desired to be achieved from the Government's measures to restrict autonomous imports of gold are mentioned below:

- i. This measure will restrict the imports of gold which will to a fall in the demand for foreign currency resulting in an appreciation in exchange rate.
 - ii. There will be an increase in the foreign exchange reserves.
15. There is an inverse relationship between price of foreign currency and its demand. When the price of foreign currency rises, its demand will fall and vice-versa.
Example: When there is rise in price of 'US Dollar in terms of rupees, more rupees will be required to get a dollar. In this way 'US' goods will become costlier in terms of rupees for Indians. This will discourage Indians to import more from USA, resulting a fall in the quantity demanded of dollars by Indians. This would make the demand curve for 'US Dollar' downward sloping showing the inverse relationship between rise in price of foreign currency and its demand.
16. (i) The producer should also make provision for loss caused to nature (in the form of exploitation of natural resources and environmental pollution) he should follow the concept of Green GNP (Green GNP is defined as GNP which would help to attain a sustainable use of natural environment and equitable distribution of National income) $\text{Green GNP} = \text{GNP} - \text{Net fall in stock of Natural capital}$.

(ii) $\text{GDP}_{\text{FC}} = \text{NDP}_{\text{FC}} + \text{Depreciation}$

$$\text{NDP}_{\text{FC}} = \text{Compensation of employees} + \text{Rent} + \text{Interest} + \text{Profit} + \text{Self employed income}$$

$$= 800 + 150 + 100 + 200$$

$$= 1250 \text{ crore}$$

$$\text{GDP}_{\text{FC}} = \text{NDP}_{\text{FC}} - (\text{Gross domestic fixed capital formation} + \text{Change in Stocks} - \text{Net}$$

domestic capital formation)

$$= 1250 - (200 + 50 - 200)$$

$$= 1300 \text{ crore}$$

OR

Income Method:

$NDP_{FC} = \text{Compensation of employees} + \text{Operating surplus (Rent + Royalty + Interest + Profits)} + \text{Mixed-income}$

$$= 1500 \text{ crore} + (300 + 0 + 400 + 500) \text{ crore} + 0$$

$$= \text{Rs.}2700 \text{ crore}$$

$GDP_{MP} = NDP_{FC} + \text{Consumption of fixed capital} + \text{Net indirect taxes.}$

Note: Consumption of fixed capital = Gross Domestic fixed capital formation + Change in stock - Net domestic capital formation

$$= 700 \text{ crore} + 100 \text{ crore} - 650 \text{ crore}$$

$$= \text{Rs.}150 \text{ crore}$$

$$GDP_{MP} = 2700 + 150 + 250$$

$$= \text{Rs.}3100 \text{ crore}$$

Factor income from abroad:

$$= GNP_{MP} - GDP_{MP}$$

$GDP_{MP} = GNP_{FC} + \text{NIT (Net indirect taxes)}$

$$= 2800 \text{ crore} + 250 \text{ crore}$$

$$GNP_{MP} = \text{Rs.}3050 \text{ crores}$$

$$\text{Net factor income from abroad} = 3050 \text{ crore} - 3100 \text{ crore} = -50 \text{ crore}$$

Net factor income from abroad = Factor income from abroad - Factor income to abroad

$$-50 \text{ crore} = \text{Factor income from abroad} - 120 \text{ crore}$$

$$70 \text{ crores} = \text{Factor income from abroad.}$$

17. i. Consumption function expresses functional relationship between aggregate consumption and national income. Thus, consumption (C) is function of income (Y).

$$C = f(Y)$$

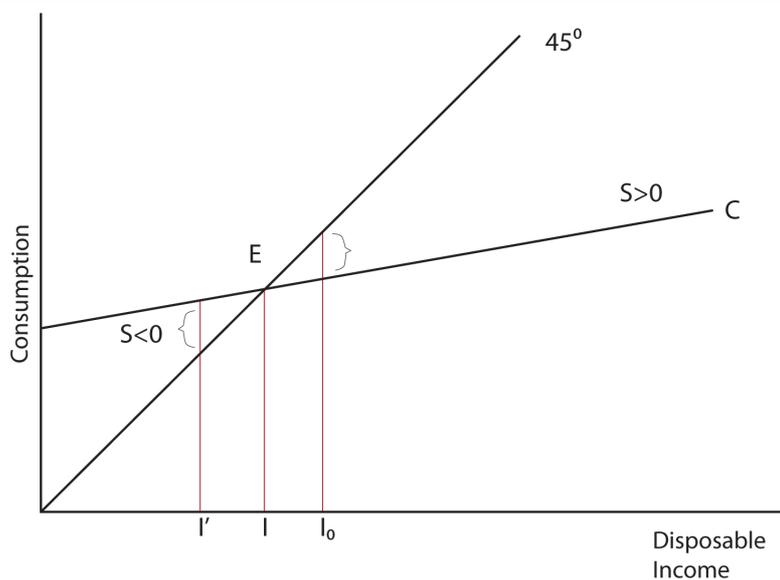
Where, C = Consumption

Y = Disposable income

Consumption function depicts the proportion of income which is spent on consumer goods. When income increases consumption also increases but by an amount less than the increase in national income.

ii. It can be explained with the help of the following schedule and diagram:

National Income (Y)	Consumption (C)
0	20
10	25
20	30
30	35
40	40
50	45



The above schedule and diagram shows Keynes's Psychological law of Consumption, which states that as income increases consumption expenditure also increase but increase in consumption is smaller than the increase in income. In the initial stages consumption is more than income. This is because of autonomous consumption.

Section B

18. Structural reforms are also referred to as 'microeconomic structural adjustment measures' as they are targeted at specific sectors of the economy. These measures are related to the changes made in industrial policy, trade policy, public sector policy, price policy and tariff policy. Since these reforms impact the structure of individual units of the economy, they are microeconomic measures.

19. True

20. (a) - (iii), (b) - (iv), (c) - (i), (d) - (ii)

21. (d) Punjab

Explanation: Kerala, Maharashtra, Gujarat and Tamil Nadu are the principal fisheries states in India .

22. Casual workers

OR

Renewable sources

23. Sustainable development

24. (c) SGSY

Explanation: The SGSY(Swarnajayanti Gram Swarojgar Yojana) aims at providing self-employment to villagers through the establishment of self-help groups. Activity clusters are established based on the aptitude and skill of the people which are nurtured to their maximum potential. Funds are provided by NGO's, banks and financial institutions.

25. Opportunity cost

26. (d) II, I, III

Explanation: The Human Development Index (HDI) is a composite statistic of life expectancy, education, and income per capita indicators. A country scores higher HDI when the life expectancy at birth is longer, the education period is longer, and the income per capita is higher. China is having HDI 0.917, India 0.624 and

Pakistan 0.550

27. (c) 1978

Explanation: To improve the various sectors of economy, China introduced reforms in phases in 1978.

28. It is not justified from environment point of view but no individual is so concerned for the environment that he sacrifices his own comfort for the sake of environment. I feel surprised when even the managers and employees of environment-related organizations are also found indulged in such activities. First thing is to create a true awareness about environment which is not at mouth level but at actions level. Secondly, we need to improve public transport system so that people need not run after a personal car. Construction of metro train is a good step in this direction by the government.

OR

Overall energy scene is none-too-happy. It is evident from:

- (a) the reduced level of self-sufficiency in oil
- (b) the yawning gap between power demand and supply
- (c) the declining share of hydel power in total power generation
- (d) the increasing dependence on coal imports
- (e) the insignificant commercialisation of non-traditional sources of energy.
- (f) huge transmission and distribution losses.

29. Government expenditure on education can be expressed In two-way:

- i. As a percentage of Gross Domestic Product (GDP).
- ii. As a percentage of total government expenditure.

The measure as a percentage of GDP is a better measure since, it sets fixed targets rather than the variable government expenditure.

30. Globalisation has the following adverse effects on the Indian economy:

- i. A breaking of traditional family systems, more individualism.
- ii. Urban cities are getting overpopulated because of the migration from rural areas in search of better opportunities, thus creating pressure on limited resources.

- iii. Lopsided growth.
- iv. Threats to domestic industries. Many industries have been suffering/ have shut down because of cheaper imports. For Example, Cashew processing units of South India have seen a drastic decline in their businesses as the processing facilities in nearby South-East Asian countries provides a cheaper alternative.
- v. Loss of jobs in many traditional sectors.
- vi. Indian culture, customs, and traditions have seen a decline in following by the newer generations.
- vii. The threat of loss of sovereignty of indigenous tribes/ tribal cultures because of setting up of industries in such areas.
- viii. Fast depletion of local resources.
- ix. Promotion of a sedentary lifestyle along with unhealthy food choices (we didn't have pizzas, burgers, fries, pasta etc. on such a massive scale before!)
- x. A threat of sanctions against India.

31. The main benefits of international or foreign trade are discussed below:

- i. International trade encourages specialisation on the basis of comparative advantage. This enables a country to obtain foreign goods at a cheaper rate in the context of the domestic resources used.
- ii. International trade widens the scope of industrialisation.
- iii. International trade helps the country to earn valuable foreign exchange.
- iv. An increase in export trade widens the country's total market. Production of more goods will further lower the cost of production, leading to lower cost per unit.
- v. International trade encourages competition, leads to innovation and increases capital flows.
- vi. International trade acts as an 'engine of growth'. It transmits growth from one part of the world to another. So, the demand in Britain for raw material brought prosperity to Australia, Canada, New Zealand, etc.

OR

When we analyse, we find that privatisation is common to liberalisation and globalization. Without privatisation, an economy can neither be globalized nor liberalised. Findings of many studies demonstrated that privatization did not

contribute to growth but helped to reduce income inequality, inflation contributed negatively to both economic growth and income equalization.

The New Economic Policy was introduced with the objective to deregulate the economy and ensure economic development. So, privatisation was crucial for the success of this policy as it ensures high productivity, a competitive environment which promotes innovation and efficiency, diversification of activities and consumer sovereignty.

In order to encourage private sector, the following measures have been adopted:

- i. The government through its economic policy reduced the number of industries reserved for public sector from 17 to 3 at present.
- ii. It has now been planned to reduce the share of public sector investment to 45%. It increases the share of private sector to 55%.
- iii. Financial corporations cannot force the industries for conversion of their loans into equity shares.
- iv. It has now been decided to increase the participation of the general public and workers by selling them the shares of public enterprises.

32.
 - Agriculture sector:- In pre-economic reforms(1980-90) and in post economic reforms (2017). Employment was the highest but the growth rate of agriculture was the lowest in all the three countries.
 - Industry sector:- In this sector China maintained double-digit growth (more than 10%). The growth rates of India and Pakistan declined in both the decades. In post-economic reforms period the growth rate of industries was the highest 8.1% in China and lowest 3.4% in Pakistan. In fact the growth rate of India was higher in comparison to both China and Pakistan in 2015-17.
 - Service sector:- In this sector both India and China were able to raise its growth rate in both the decades. Pakistan could not do so because growth rate of output declined in Pakistan. But in 2016-17 the growth of service sector in India was at the top.

33.

SR. No.	Green Revolution	Golden Revolution
	The introduction of High-Yielding	

1.	Varieties (HYV) of seeds and the increased use of fertilisers, pesticides and irrigation facilities which led to a substantial increase in output of cereals is known as the Green Revolution.	The rapid growth in the production of diverse horticultural crops such as fruits, vegetables, tuber crops, flowers, medicinal and aromatic plants, spices and plantation crops is known as Golden Revolution.
2.	It led to increase in the production of rice and wheat.	It led to increase in the production of fruits, vegetables, flowers, aromatic plants, spices, etc.
3.	Green Revolution provided food security and raised agricultural incomes.	Golden Revolution provided nutrition and sustainable livelihood options.
4.	Green Revolution made India self-sufficient in the production of foodgrains.	Golden Revolution made India a world leader in the production of mangoes, bananas, coconut and spices.

34. i. **Expectancy of Life:** It means the number of years a normal person is expected to live at birth. A high expectancy means that the health sector is quite advanced in the country.
- In India, expectancy of life has risen considerably from 50 years in 1951 to 68.5 years presently.
- Also, life expectancy for males is 67.3 years and for females, it is 69.8 years. This indicates that healthcare facilities have developed in our country. However, we have to still achieve a global average of 71 years.
- ii. **Death Rate:** It is the number of deaths per thousand persons. A low death rate is a good indicator of improvement in health services. Death rate in India has improved significantly from 27.4 per thousand in 1951 to 7.6 per thousand in 2015.
- iii. **Infant Mortality Rate:** It gives the number of deaths of infants below the age of one year as a percentage of a number of live births per thousand. A low infant mortality rate signifies better healthcare for the mother and the child. In India, the infant mortality rate has fallen significantly from 146 to 40 per thousand.

- iv. **Incidence of Deadly Diseases:** If the spread of deadly diseases such as TB (tuberculosis), cancer is controlled then also it signifies a developed health sector. While the spread of TB, HIV/AIDS and malaria is declining globally, India is still seeing a disturbingly high number of deaths related to these diseases. In 2013, 5.5 lakh people died of TB, 1.2 lakh Indians died of malaria and 78,600 Indians died of HIV/AIDS. 11 deaths per lakh population in India are still reported from a deadly disease, while in our neighbouring countries, it is one or two deaths per lakh population. Every year, around 5 lakh children die of water-borne diseases. The danger of AIDS is also looming large.
- v. **Nutrition level:** If the population of the country has access to nutritious and healthy food, then it is also a good indication of the health of the country. This is an area of concern for India. The World Bank estimates that India is one of the highest-ranking countries in the world for the number of children suffering from malnutrition. The 2015 Global Hunger Index (GHI) Report ranked India 20th amongst leading countries with a serious hunger situation. In India, 44% of children under the age of 5 years are underweight. 72% of infants and 52% of married women have anaemia. All of this indicates an unhealthy nation. Malnutrition and inadequate supply of vaccine lead to the death of 2.2 million children every year.
- vi. **Expenditure on health:** Expenditure on health is just 4.9% of the total GDP. It is extremely low as compared to other developed and developing countries.
- vii. **Public health facilities:** At present, less than 20% of the population utilities public health facilities and only 38% of the PHC,s have the required number of doctors and only 30% of the PHCs have sufficient stock of medicines.

OR

- i. **Disguised Unemployment.** A situation in which more persons are employed on a job than are optimally required. If a part of the labour force is withdrawn and the total production remains unchanged, this withdrawn labour will be known as disguised unemployed labour.
- ii. **Seasonal Unemployment:** Unemployment caused by the fact that certain activities

can be pursued only during specified periods, e.g., The demand for agricultural labour increases at the time of sowing and harvesting. During the interval between sowing and harvesting, there is a fall in employment. It is also found in seasonal industries like ice factories.

- iii. **Structural Unemployment:** Unemployment caused by the fact that the economy fails to generate enough jobs. It is the result of the backwardness and low rate of economic development of a country. It is generally witnessed in the underdeveloped countries, e.g., A change of energy use from coal to electric power is bound to curtail coal mining activity and cause unemployment there.