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

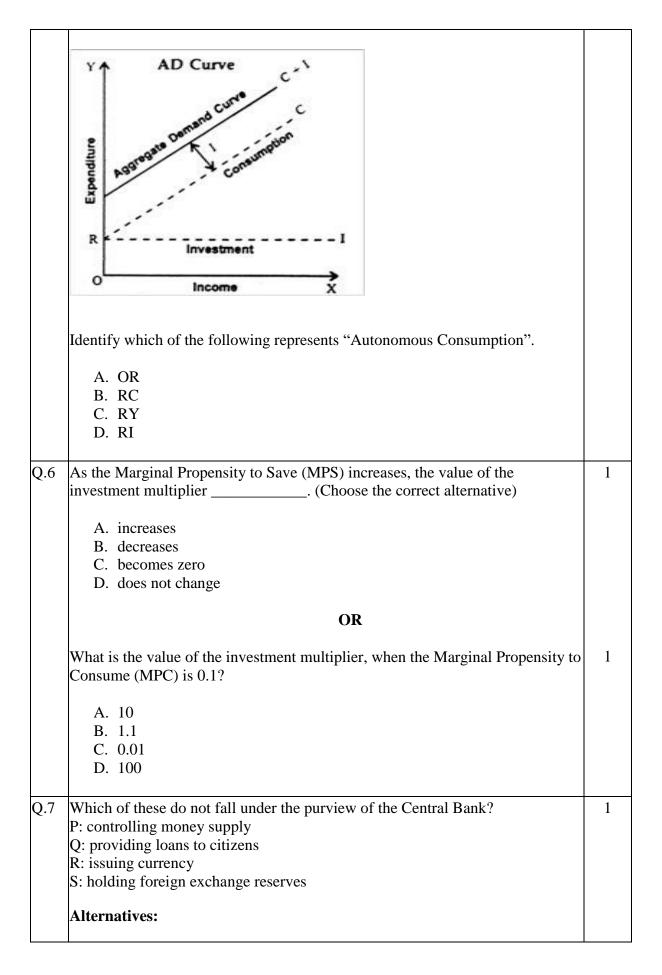
- 2. This paper contains 20 Multiple Choice Questions type questions of 1 mark each.
- 3. This paper contains 4 Short Answer Questions type questions of 3 marks each to be answered in 60 to 80 words.
- 4. This paper contains 6 Short Answer Questions type questions of 4 marks each to be answered in 80 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	Read the following statements carefully:	1
	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.	
	Choose the correct option based on the above statements.	
	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	
Q.2	"The World Bank has been extending loans to Country X on favourable terms for infrastructure, poverty alleviation, and rural development projects for four decades."	1
	Identify the reason for these loans to be listed as external assistance under the capital account of the Balance of Payments.	



	 A. The loans have been taken from an entity outside the country. B. The loans aim to improve the standard of living in the country. C. The loans have crossed the three-decade period. D. The loans can be paid off over a longer period. 	
Q.3	The Reserve Bank of India can increase the money supply in the economy by (Choose the correct alternative)	1
	 A. demonetisation of currency B. buying government bonds C. increasing the cash reserve ratio D. persuading banks to discourage loans 	
Q.4	There are two statements given below, marked as Statement (1) and Statement (2). Read the statements and choose the correct option.	1
	Statement (1): The Balance of Payments is a key economic indicator of a country's economic well-being. Statement (2): It is a summary of all economic transactions of a country and the rest of the world in a given financial year.	
	 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 	
Q.5	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?	1
	 A. government introducing policies B. aggregate demand and supply of goods C. determination of the consumer's equilibrium D. determination of equilibrium level of income and employment 	
	OR The total consumption and investment curves are given below:	1







Q.8	A. only S B. only Q C. Q and S D. P and R The money exchanged in which of the following situations will not be considered as Invisible items under the Balance of Payments? A. An Indian flying to the US for his medical treatment.	1
	 B. Oil India Limited (OIL) purchasing crude oil from Iraq. C. The Indian diaspora remitting money to their families at home D. Tata consultancy services (TCS) providing cloud consulting to African nations. 	
	OR	
	Identify the situation that can be certainly deduced from a "capital and current account equilibrium"?	1
	A. The current account deficit is financed by the selling of foreign exchanges.B. There is an inverse relationship between the current and the capital account.	
	C. The capital account has to be equal to the current account to achieve equilibrium.D. The country is running into an economic deficit and requires borrowing from foreign reserves.	
Q.9	There are two statements given below, marked as Statement (1) and Statement (2). Read the statements and choose the correct option.	1
	Statement (1) When aggregate supply is plotted as a 45°line graph, the economy is said to be at equilibrium. Statement (2) The total amount spent on aggregate demand is equal to the total expenditure in the country.	
	 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 	
_	Choose the equation that represents the equilibrium condition in a two-sector economy.	1
	A. $Y = \frac{\overline{C}}{MPS}$ B. $Y = \frac{\overline{C}}{1 - MPS}$	

4



	T					1
	$C. Y = \frac{\overline{C} + \overline{I}}{1 - MPC}$		D. $Y = \frac{\overline{C} + \overline{C}}{MP}$	- <u>Ī</u> PC		
Q.11	Study the table geconomy.	given below w	hich has informa	ation about two f	irms of an	3
		Wages (in ₹)	Profits (in ₹)	Interest (in ₹)	Rent (in ₹)	
	Firm A	50	150	100	100	
	Firm B	90	210	100	100	
Q.12	Further, it should 1. Net Factor Ind 2. Employee's co ₹ 5 and ₹ 10 resp Calculate the Na a) When does a b) Discuss its sig	come from Absontribution to to pectively ational Income Current Accou	road is (-) ₹ 20 he Social Secur 		n A and Firm B i	s 3
	Venture capital businesses with		• 1	by investors to s	mall or start-up	3
	In light of the ab currency affect I					
Q.13	In an economy, ₹ 2500 crore.	the initial inco	me was ₹1000 c	crore which incre	eased by	4



increased level of income.

to an inflationary gap.

Given MPS = 0.3, $\bar{c} = ₹500$, calculate the investment expenditure at the

Q.14 Assuming that there exists a situation of excess demand in an economy leading

b) Explain any two monetary measures that can help to control this situation.

a) What is the impact of excess demand in the economy





Q.15	'During the last few years' initiatives such as Jan Dhan Yojna, Aadhar-enabled payment systems, e-Wallets, National Financial Switch (NFS) and others have strengthened the government's resolve to go cashless.' Source: NCERT Elaborate on how such initiatives may have affected the Indian economy.	4
	OR	
	Explain the process of credit creation by commercial banks with the help of a numerical example.	4
Q.16	(a) In what situation will the Real Gross Domestic Product be greater than the Nominal Gross Domestic Product?	3
	(b) If the Nominal Gross Domestic Product is ₹2200 crores, and the price index (base = 100) is 110. Calculate the Real Gross Domestic Product.	
Q.17	Answer the following questions.	
	(a) "National highway is a private good because it is funded by taxes." Defend or refute the given statement with valid arguments.	3
	(b) How does the government budget ensure economic equality in an economy?	3
OR		
	(a) In the 2022-23 budget in India, a lot of importance has been given to reforming the education system and all-inclusive welfare. Analyse the value of such an allocation.	3
	(b) State which category of receipts or expenditures the following are categorised as:	3
	i) custom duty	
	ii) government acquisition of land iii) Sale of PSUs	
	SECTION B – INDIAN ECONOMIC DEVELOPMENT	
Q.18	Identify the result of the large export surplus during the colonial period. (Choose the correct alternative)	1
	A. domestic markets flooded with raw materials	
	B. an increase in gold and silver reserves	
	C. scarcity of essential commodities D. cheap imported consumer goods	



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



Q.22 "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." In light of the nation's political and economic situation at the time, which of the following professions would have fulfilled his expectations? A. mining B. tourism C. textile industry D. information technology Q.23 There are two statements given below, marked as Assertion (A) and Reason	1
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C. textile industry D. information technology Q.23 There are two statements given below, marked as Assertion (A) and Reason	1
D. information technology Q.23 There are two statements given below, marked as Assertion (A) and Reason	1
	1
(R). Read the statements and choose the correct option.	
Statement(1): The ratio of employed women in urban areas is generally lower than that of employed women in rural areas.	
Statement(2): There are a higher number of low-income employment opportunities available in rural areas than in urban areas.	
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	
D. Both statements I and 2 are laise	
Q.24 There are two statements given below, marked as Statement (1) and Statement (R). Read the statements and choose the correct option.	1
Statement (1): Both India and China initiated industrial reforms with the creation of agricultural communes.	
Statement (2): Both countries are primarily agrarian in nature with all sectors	
depending on the primary one.	
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	



Q.25	Resources are becoming extinct as degradation surpasses the capacity of the environment. (Choose the correct alternative)	1
	A. carrying B. absorptive C. assimilation D. regeneration	
	OR	
	United Nations General Assembly has enlisted a list of 17 Sustainable Development Goals (SDGs) to be achieved by 2030. Accordingly, SDG 7 is to "Ensure that everyone has access to enough, trustworthy, sustainable, and modern energy."	1
	does not constitute a step toward achieving SDG 7.	
	A. CNG B. solar energy C. thermal power D. mini-hydel plants	
Q.26	There are two statements given below, marked as Statement (1) and Statement (2). Read the statements and choose the correct option.	1
	Statement(1): Air India, a fully owned Public Sector Undertaking (PSU) was disinvested and sold to a private entity. Statement(2): Public Sector Undertakings (PSU) are sold to create more direct and/or indirect employment opportunities in the country.	
	 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 	
Q.27	There are two statements given below, marked as Statement (1) and Statement (2). Read the statements and choose the correct option.	1
	Statement (1): The contribution of the industrial sector to the GVA in India and Pakistan is much lower than that of China. Statement (2): India and Pakistan are directly moving from agriculture to services.	
	 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 	





	(b) Every	gree with the given stat	tion to promo	te sustainable development. y your answer with a valid	3
	to accomi In light of	modate more local and	international	omer support companies in Inbuyers and sellers. Cocess of globalisation impac	
		you are a small farmer to face while shifting t		State any three challenges you	ou 3
Q.30	Given bel	ow are some statistics	related to Indi	a, China and Pakistan.	4
	Country	Population (millions)	Fertility rate	Urbanisation (%)	
	India	1352	2.2	34	
	China	1393	1.7	59	
	Pakistan	212	3.6	37	
	Compare	and contrast China's de	emographic st	atistics with its neighbours.	
	a hybrid o			s of economic systems along	with 4
			OR		
	-			ntervene in the implementation took to protect small farmers	
_		ald migration and socia	l medicine be	viewed as investments in hu	man 4
Q.33	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. Source: www.kudumbashree.com, NCERT				ty 6
	a) Di	quirements of the poor		SHGs) in meeting the credit cro-credit programmes.	3
					3



OR

(a) 'Modernisation does not refer only to the use of new technology but also to changes in the social outlook.'

Source: NCERT

Analyse the above statement with reference to the core ideas that the government aimed to promote in the newly independent India.

(b) List some economic costs of unemployment.

Q.34 Read the passage given below and answer the questions that are followed.

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)

- (a) How did the primary goals listed in the five-year plans aim to deal with the given crisis?
- (b) 'Recession and unemployment go hand in hand.' Explain the above statement in context to the given passage.

3

3

(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
	O.D.	1
	OR A. OR	
Q.6	B. decreases	1
	OR	1
	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	$C. Y = \frac{\overline{C} + \overline{I}}{1 - MPC}$	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) = $900 + (-) 20 = Rs. 880$	



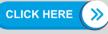
Q.12	- trade - exports> imports	3
	- receipts> payments	
	- employment - higher employment opportunities since there is an increased	
	demand for domestic goods	
	- investments - increased domestic and foreign investments than other	
	countries since the country is exporting more.	
	- more competitive market, advanced technology, optimum utilization of	
	resources	
	-appreciation on the value of the currency	
	- any other relevant point	
	(to be assessed as a whole)	
	OR	
	Devaluation would discourage venture capital.	3
	Reasons:	3
	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.	
Q.13	Y = 3500	4
	s = 0.3	
	$\overline{c} = 500$	
	$Y = \overline{c} + bY + I$	
	MPC= 1-MPS	
	MPC = 1-0.3 = 0.7	
	$3500 = 500 + 0.7 \times 3500 + I$	
	I = 3500-500-2450	
	I = Rs. 550	
Q.14	a) Effect on price -Increase in the general price level, Inflationary gap, b)	4
	effect on output- no change, c) effect on employment no change.	
	In angular many motor in angular hands amon mondrat amonations in angular	
	Increase repo rate-increase bank rate- open market operations-increase	



Q.15	These initiatives affect the economy by	4
	 increasing the total number of bank deposits leading to more deposition of money lending capacity of banks increases due to more accounts easing of payments systems availability of loans, investments increase all these lead to more pumping of money into the economy leading to the overall growth in the National Income. 	
	(to be assessed as a whole)	
	OR	
	a) because they create credit money through their lending operations. They accept deposits and advance loans. In this process, they create credit and lend more money than they have as cash deposits.	4
	Money creation is determined by 1. The amount of the initial fresh deposits. 2. The Legal Reserve Ratio (LRR) 3. Money Multiplies = 1/LRR Total Money Creation = Initial Deposits x 1/LRR e.g. Let the LRR be 20%	
	Fresh deposits = ₹ 20000	
	The amount required by the banks to keep = $₹4000$ as cash suppose the banks lend the remaining amount of $₹16000$. people who borrow, use this money for making payments, also all the transactions will be carried out through banks. Further, it is also assumed that for those who receive fresh deposits $₹16000$, the banks again keep $₹3,200$ as cash and lend $₹12,800$, which is also 80% of the last deposit, the money again comes back to the banks leading to a fresh deposit of $₹12,800$. In this way, the money goes on multiplying, and ultimately total money created is $₹100,000$ Total money creation =20,000 x 1/20 x 100 = $₹100,000$	
	(to be assessed as a whole)	
Q.16	a) when the base year's prices are higher than the current year's prices. Base year and current year prices. Example of difference	3
	b) Real GDP = Nominal GDP/ Price Index *100 i.e, 2200/110*100 = 2000 crores	3



Q.17	- 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. (to be assessed as a whole)	3
	 (b) 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. (to be assessed as a whole) 	3
	OR	
	a) -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 (to be assessed as a whole)	3
	(b)i) Revenue receiptsii) Capital expenditureiii) Capital receipts	3
	SECTION B – INDIAN ECONOMIC DEVELOPMENT	
Q.18	C. scarcity of essential commodities	1
Q.19	B. multinational corporations	1
	OR A. reduces gap between the rich and poor farmers	1
Q.20	A. perishable food items	1
0	OR B. denationalisation	1
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	1
	OR	1
	C. thermal power	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.	3
	 (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. 	
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)	3
	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
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



	-a greater percentage of population in China would have access to urban amenities such as well-developed social infrastructure, improved transport and communication networks -Both India and Pakistan has a relatively larger population that is probably engaged in agricultural activities (to be assessed as a whole)	
Q.31	 (a) 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. 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. (b) India follows a mixed economy. 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 	4
	who cannot afford it. OR - Farmers using HYV needed reliable irrigation facilities, pesticides and fertilisers. - The small farmers would not have been able to reap the benefits of HYV if not for the State. - The government provided cheap credit, and subsidies on fertilisers and pesticides. - Research institutions provided new information and services to create varieties that were resistant to pest attacks, which reduced the risks for small farmers.	4
Q.32	 (a) Migration takes place when people move to new places in search of opportunities, which involves a high cost. The benefits of the migration, outweigh the expenditure and hence can be called an investment in human capital formation. 	2
	 (b) Social medicine involves spreading health literacy amongst people. This creates healthy people and more productive labour. Investments in social medicine directly lead to the increase of human 	2



	capital in the labour market and hence can be called an investment in hu	man
	capital formation.	
Q.33	1. Poor women or women who do not have any collateral, were exclude from formal institutions of credit.	ed 6
	2. With Self-Help Groups, women are able to avail credit, with reasona repayment plans.	ıble
	3. Further, SHGs also receive funds as Community Investment Support Funds, to create self-employment	t
	4. SHGs not only make credit accessible to poor women, but provide the	
	with opportunities to generate their own income and make decisions. 5. SHGs foster a sense of community since the credit is disbursed from	ı a
	pool of money contributed by all. This also holds them accountable the group.	to
	 SHGs allow rural women to be financially empowered. (any other relevant point) 	
	OR	
	(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 wi the –	
	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)	
	(b) Following are some economic costs of unemployment:	
	low production of goods and services	
	2. decreasing GDP	3
	3. fall in government revenue	
	4. reduced demand for goods and services	
	5. stalled economic growth	
	(any three points to be assessed)	
	_	



Q.34 3 (a) - modernization: encouraging new techniques, methodologies, social outlook and policies. Example: modernisation of informal sector enterprises and provision of social security, measures to informal sector workers. - self-reliance: avoiding import of goods that could be produced in India itself, optimum utilization of nation's own resources, encouraging indigenous industries. - equity: encouraging policies revolving around providing food, a decent house, education and health care so that the inequality in the distribution of wealth could be reduced. - growth: aiming to increase the country's capacity to produce the output of goods and services within the country by either stimulating a larger stock of productive capital, or a larger size of supporting services etc. (to be assessed as a whole) 3 (b) - Recession is the slowdown or a temporary economic decline in an economy wherein production activities are at the lowest. - Employment is directly proportional to growth. - In the 1980s, when India recorded one of its lowest growth. As a result of this recession, India encountered a decline in economic activities which lead to decreasing output. Hence employment opportunities decreased leading to unemployment. (to be assessed as a whole)

