



INDIAN SCHOOL SOHAR
TERM 1 EXAMINATION (2022 – 2023)
ECONOMICS (030)

CLASS: - XII

DATE: 24/09/2022

MAX MARKS: - 80

TIME: 3HRS

General Instructions:

Read the following instructions very carefully and strictly follow them:

- I. This question paper comprises two sections **A** and **B**.
- II. All questions are **compulsory**. Marks are indicated against each question.
- III. Question numbers **1 – 8** and **17 – 24** are very short-answer questions carrying **1** mark each. They are required to be answered in **one word** or **one sentence** each.
- IV. Question numbers **9 – 10** and **25 – 26** are short-answer questions carrying **3** marks each. Answers to them should not normally exceed **60 – 80** words each.
- V. Question numbers **11 – 14** and **27 – 29** are also short-answer questions carrying **4** marks each. Answers to them should not normally exceed **80 – 100** words each.
- VI. Question numbers **15 – 16** and **30 – 31** are long answer questions carrying **6** marks each. Answers to them should not normally exceed **100 – 150** words each.
- VII. There is no overall choice. However, an internal choice has been provided in **2** questions of one mark, **2** questions of three marks, **2** questions of four marks and **2** questions of six marks. Only one of the choices in such questions have to be attempted.

SECTION A: INTRODUCTORY MACRO ECONOMICS

1. Medium of exchange function of money suggest that [1]
 - a. Value of all goods and services can be measured in terms of money
 - b. Transfer of value can easily be performed with the help of money
 - c. Any commodity can be sold or purchased through the medium of money
 - d. Money can be used for future payments.

2. Read the following statements -Assertion (A) and Reason(R), Choose one of the correct alternatives. [1]

Assertion (A): Demand Deposits are considered as a convenient mode of payment for execution of even the high value transactions.

Reason(R): Demand Deposits are non-withdrawable in nature and cannot be withdrawn against issue of cheques and other similar instruments of payment.

Alternatives:

 - a. Both (A) and (R) are true and (R) is the correct explanation of (A)
 - b. Both (A) and (R) are true and (R) is not the correct explanation of (A)
 - c. (A) is true but (R) is false.
 - d. (A) is false but (R) is true.

Read the following news report and answer questions 3 -4 based on the same:

The Reserve Bank of India (RBI), cut Repo Rate to 4.4%, the lowest in at least 15 years.

Also, it reduced the Cash Reserve Ratio (CRR) maintained by the banks for the first time in over seven years. CRR for all banks was cut by 100 basis points to release ₹ 1.37 lakh crores across the banking system. RBI governor Dr. Shaktikanta Das predicted a big global recession and said India will not be immune. It all depends how India responds to the situation. Aggregate demand may weaken and ease core inflation. (**The Economic Times; March 27th, 2020**)

3. The impact of "Excess Demand" under Keynesian theory of income and employment, in an economy are: (choose the correct alternative) [1]
- a. decrease in income, output, employment, and general price level
 - b. decrease in nominal income, but no change in real output
 - c. increase in income, output, employment, and general price level
 - d. no change in output/employment but increase in general price level.
4. The difference by which actual Aggregate Demand exceeds the Aggregate Demand, required to establish full employment equilibrium is known as..... [1]
5. Supply of money refers to..... [1]
- a. currency held by the public
 - b. currency held by Reserve Bank of India (RBI)
 - c. currency held by the public and demand deposits with commercial banks
 - d. currency held in the government account

OR

Read the following dialogue between two people.

Sita: I want 1 kg of potatoes

Rani: What will you give in exchange?

Sita: I can give you 2 litres of milk in return for the potatoes.

Rani: I don't need milk. I want a pair of shoes.

Which of the following problems is being faced by Sita and Rani in their exchange process?

- a. Lack of double coincidence of wants.
 - b. Absence of common units of value.
 - c. Lack of store of value.
 - d. Lack of standard of deferred payment.
6. If investment becomes zero, National income does not fall to zero because of [1]
- a. Autonomous consumption
 - b. Induced investment

- c. Autonomous investment
- d. Multiplier

7. If $GDP_{FC} = ₹ 24760$ Cr, operating surplus = ₹ 13450 Cr, mixed income = ₹ 4260 Cr and consumption of fixed capital = ₹ 530, then compensation of employees will be _____ [1]
- a. ₹ 6520 Cr
 - b. ₹ 7050 Cr
 - c. ₹ 18250 Cr
 - d. ₹ 43000 Cr

8. In the present COVID-19 times, many economists have raised their concerns that Indian economy may have to face a deflationary situation, due to reduced economic activities in the country. Suppose you are a member of the high-powered committee constituted by the Reserve Bank of India (RBI). You have suggested that as the supervisor of commercial banks, (restriction/release) of the money supply be ensured, by the Reserve Bank of India (RBI). [1]
9. Explain the 'Unit of account' function of money. [3]

OR

Draw a straight-line consumption curve. From it derive the savings curve. Explain the process of derivation on the diagram. Also show the income level at which $APC = 1$ and the income level at which APS is negative.

10. "India's GDP contracted 23.9% in the April-June quarter of 2020-21 as compared to same period of 2019-20, suggesting that the lockdown has hit the economy hard". [3]

The Hindustan Times, 1st September 2020

State and discuss any two fiscal measures that may be taken by the Government of India to correct the situation indicated in the above news report.

11. Will the following be included in the national income of India? Give reasons. [4]
- a. Profits earned by an Indian bank from its branches abroad.
 - b. Interest received on loans given to a friend for purchasing a car
 - c. Expenditure on maintaining a building
 - d. Financial help received by flood victims.

12. Differentiate between [4]
- a. Bank rate and repo rate
 - b. Qualitative instruments of credit control and quantitative instruments of credit control

OR

Differentiate between

- a. GDP at constant prices and GDP at current prices

- b. Intermediate goods and final goods
13. A. Explain the monopoly right to issue currency function of the Central bank. Why is it essential? [4]
 B. What is legal reserve ratio? What are its components? Explain.
14. Describe the steps involved in the estimation of national income by value added method. What precautions must be taken while estimating national income by value added method? [4]
15. Find Gross Domestic Product at Market Price with the help of income and expenditure methods using following data [6]

S no.	Particulars	₹ (In crores)
1	Final consumption expenditure	6500
2	Final consumption expenditure of nonprofit organizations serving households	1500
3	Wages and salaries	9000
4	Operating surplus	2000
5	Mixed income	5000
6	Net indirect tax	1500
7	Depreciation	2500
8	Net occupational fixed investment	4000
9	Net house construction investment	1200
10	Net government expenditure	800
11	Stock investment	2000
12	Net factor from abroad	1000
13	Government final consumption expenditure	2000
14	Net exports	2000

OR

- A. State and explain briefly the three main components of Net Factor Income from Abroad.
 B. Calculate value of output, intermediate consumption, NVA at FC

		In ₹ Cr
1	Purchase of raw material from domestic market	400
2	Increase in the unsold stock	60
3	Import of raw materials	120

4	Domestic sales	1200
5	Replacement of fixed capital	50
6	Power charges	20
7	Export	200
8	Import of machinery	40
9	Value added taxes	10
10	Subsidies	30
11	Goods used for self-consumption	10

16. A. What happens to the level of national income when aggregate demand falls short of aggregate supply? [6]
- B. In an economy with every increase in income 10 percent of the rise in income is saved. Suppose a fresh investment of ₹ 120 Crore takes place in the economy. Calculate the
- Change in income
 - Change in consumption

SECTION B: INDIAN ECONOMIC DEVELOPMENT

17. Undertype of unemployment, marginal product gained by employing one additional unit of labour is zero. (Fill up the blank with correct answer) [1]

OR

..... an indicator which is used for analyzing the employment situation of a country. (Fill up the blank with correct answer)

18. Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below: [1]

Assertion (A): Every year government fixes a target for disinvestment of Public Sector Enterprises.

Reason (R): Disinvestment is an excellent tool for discarding the loss incurring Public Sector Enterprises.

Alternatives:

- Both (A) and (R) are true and (R) is the correct explanation of (A)
 - Both (A) and (R) are true and (R) is not the correct explanation of (A)
 - (A) is true but (R) is false.
 - (A) is false but (R) is true.
19. Occupational structure refers to _____ (Fill in the blank with correct alternative) [1]
- size of labour force in a country
 - number of people living in a country

- C. distribution of workforce among different sectors of an economy
- D. nature of different occupations

20. Identify the correct sequence of alternatives given in Column II by matching them with respective terms in Column I [1]

Column – I	Column – II
a. Land Ceiling	i. Increase in production of food grain using high yielding variety seeds
b. Land reforms	ii. Portion of agricultural produce sold in the market
c. Green Revolution	iii. Fixing the maximum limit of land holding for an individual
d. Marketed Surplus	iv. Change in the ownership of land (land to tillers)

- A. a. iii, b. iv, c. i, d. ii
- B. a. ii, b. iii, c. iv, d. i
- C. a. iii, b. ii, c. i, d. iv
- D. a. ii, b. i, c. iv, d. iii

Read the following hypothetical text and answer questions 21 and 22 based on it.

The performance of Indian economy during the period of first seven five-year plans (1950-1990) was satisfactory if not very impressive. On the eve of independence, India was an industrially backward country, but during this period of first seven plans our industries became far more diversified, with the stress being laid on the public investments in the industrial sector. The policy of import substitution led to protection of the domestic industries against the foreign producers, but we failed to promote a strong export surplus. Although public sector expanded to a large extent, but it could not bring desired level of improvement in the secondary sector. Excessive government regulations prevented the natural trajectory of growth of entrepreneurship as there was no competition, no innovation, and no modernization on the front of the industrial sector. Many Public Sector Undertakings (PSU's) incurred huge losses due to operational inefficiencies, red-tapism, poor technology and other similar reasons. These PSUs continued to function because it was difficult to close a government undertaking even it is a drain on country's limited resources. On the Agricultural front, due to the measures taken under the Green Revolution, India became self-sufficient in the production of food grains. So, the needs for reform of economic policy were widely felt in the context of changing global economic scenario to achieve desired growth in the country.

21. Which of the following was not a reason for the public sector to play a major role in the initial phase of Indian Economic Planning? [1]

- a. Private entrepreneurs lacked sufficient capital for investment.
- b. Government aimed at social welfare.

- c. The market was big enough to encourage private industrialists for investment.
- d. The government wanted to protect the indigenous producers from the foreign competition.

22. Read the following statements - Assertion (A) and Reason (R) [1]

Assertion (A): Many public sector undertakings incurred huge losses due to operational inefficiencies.

Reason (R): Red-tapism was one of the reasons for continuation of such enterprises.

Alternatives:

- a. Both (A) and (R) are true and (R) is the correct explanation of (A).
- b. Both (A) and (R) are true and (R) is not the correct explanation of (A).
- c. (A) is true but (R) is false.
- d. (A) is false but (R) is true.

23. Long term objectives to be achieved over a long period of time formulated with reference to common goals of plans are called: [1]

- a. Objectives of plans
- b. Objectives of planning
- c. Scheme of planning
- d. Directives of plans

24. Read the following statements - Assertion (A) and Reason (R), choose the correct alternative. [1]

Assertion (A) – Major policy initiatives (land reforms and Green Revolution helped India to become self-sufficient in food grains production.

Reason(R) – The proportion of people depending on agriculture did not decline as expected after the Green Revolution.

Alternatives:

- a. Both (A) and (R) are true and (R) is the correct explanation of (A).
- b. Both (A) and (R) are true and (R) is not the correct explanation of (A).
- c. (A) is true but (R) is false.
- d. (A) is false but (R) is true.

25. Critically evaluate the inward-looking trade policy of the government during 1950 – 1990. [3]

26. “Atamnirbhar Bharat” had been at the roots of the Indian planning process in the form of „self-reliance” as an objective of the planning process. Do you agree with the given statement? Justify the rationale of the given statement. [3]

OR

“Liberalization of the financial sector implied a substantial shift in the role of RBI from a regulator to a facilitator.” What were the other steps initiated by the Government to liberate the financial sector?

27. "Agriculture sector appears to be adversely affected by the economic reform process." Explain the given statement. [4]

28. Analyse the recent trends in sectoral distribution of workforce in India: [4]

Trends in Employment Pattern (Sector wise)

Sector	1993-94	1999-2000	2011-2012
Primary	64	60.4	24.3
Secondary	16	15.8	24.3
Services	20	23.8	26.8

29. "This organisation is focusing on the competition in the international market and free access to markets across different countries of the world. It facilitates bi lateral and multilateral trade agreement." Identify the organisation. Describe its role in the context of globalisation. [4]

OR

Define globalization. Explain the policy measures adopted by the Indian government in fulfilling its aims toward globalization.

30. A. Indicate the volume and direction of foreign trade of India at the time of Independence. [6]
B. Explain the economic effects of unemployment in India.

31. "Agricultural productivity is low in India as it is besieged by a number of problems." Explain the problems faced by agriculture in India. [6]

OR

"Industrialisation plays an important role in the economic development of a country." Explain.