



**INDIAN SCHOOL SOHAR**  
**PRE-BOARD 1 EXAMINATION (2023 – 2024)**  
**ECONOMICS (030) (SET 2)**

**CLASS: - XII**

**MAX MARKS: - 80**

**DATE: 10/01/2024**

**TIME: 3 HOURS**

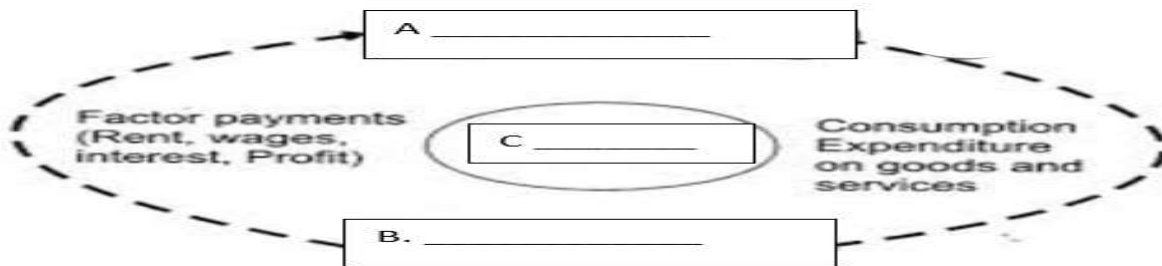
**General Instructions:**

**Read the following instructions carefully and follow them:**

1. This Question Paper contains **34** questions. All questions are compulsory.
2. This paper contains **20** Multiple Choice Questions type questions of **1** mark each.
3. This paper contains **4** Short Answer Questions type-I questions of **3** marks each to be answered in **60 to 80** words.
4. This paper contains **6** Short Answer Questions type-II 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.
6. There is no overall choice in the question paper. However, internal choices have been provided in few questions. The candidates need to attempt only one question from such questions.
7. Attempt **all** parts of a question together.

**SECTION A: MACRO ECONOMICS**

1. Read the following figure carefully and choose the correct pair from the alternatives given below: [1]



- a. A: Household B: Firms C: Money                      b. A: Household B: Firms C: Money
- c. A: Government B: Rest of the world C: Money                      d. A: Rest of the World B: Money C: Firm
2. Suppose that the Balance of Trade (BOT) of a nation, exhibits a surplus of ₹ 20,000 crores. The import of merchandise of the nation is half of the exports of merchandise to the rest of the world. The value of exports would be ₹ \_\_\_\_\_ crores. [1]
- a. 30,000    b. 40,000
- c. 24,000    d. 35,000
3. Read the following statements carefully and choose the correct alternative from the following: [1]
- Statement 1:** Government Budget is a detailed economic statement presented by Finance Minister.

**Statement 2:** Government Budget consists of financial programmes and policies of the government for the next 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.
4. Ms. Iqra Ansari, a teacher, was explaining in her class about several types of deposits with the commercial banks. She quoted that, "These deposits form a part of M1 measure of money supply and are payable on demand by the commercial banks." Identify the type of deposits she was explaining about. [1]  
(i) Demand Deposits    (ii) Time Deposits      (iii) Post Office Deposits  
a. Only (i)    b. Only (ii)  
c. (i) and (ii)    d. (i), (ii) and (iii).
5. Read the following news report carefully: [1]  
"The central bank has imposed fine on Hisar Urban Cooperative Bank Ltd. And Andaman and Nicobar State Cooperative Bank Ltd. for violation of banking norms." According to the given report, identify the function of the central bank.  
a. Issue of currency    b. Banker to the public.  
c. Banker to the Government                                d. Banker's Bank
6. The money exchanged in which of the following situations will not be considered as Invisible items under the Balance of Payments? [1]  
a. An Indian flying to the US for his medical treatment.  
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 deduced from a "capital and current account equilibrium"?

- a. The current account deficit is financed by the selling of foreign exchange.  
b. There is an inverse relationship between the current and the capital account.  
c. The capital account must be equal to the current account to achieve equilibrium.  
d. The country is running into an economic deficit and requires borrowing from foreign reserves.
7. Read the following statements- Assertion (A) and Reason (R). Choose one of the correct alternatives. [1]  
**Assertion (A):** At the break-even level of income, the value of Average Propensity to Consume is zero.  
**Reason (R):** Sum of Average Propensity to Consume and Average Propensity to Save is always equal to 1.  
**Alternatives:**

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

8. 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.

9. Read the following statements carefully and choose the correct alternative.

[1]

**Statement 1:** Gross Domestic Product (GDP) is the sum total of the gross market value of all the final goods and services added by all the sectors in the economy during a fiscal year.

**Statement 2:** Gross Value Added at Market Price (GVAMP) is equal to the excess value of output over intermediate consumption.

- 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

**OR**

Read the following statements carefully and choose the correct alternative.

**Statement 1:** APC is the ratio of consumption expenditure to total income, i.e.,  $APC = \frac{Y}{C}$

**Statement 2:** MPC is the ratio of change in consumption to change in income, i.e.,  $MPC = \frac{\Delta Y}{\Delta C}$ .

- 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

10. To tackle the problem of rising general price level in an economy, government may produce a surplus budget to achieve the budget objective of \_\_\_\_\_.

[1]

(i) reallocation of resources    (ii) price stability    (iii) redistribution of income

**Alternatives:**

- a. (i) only
- b. (ii) only.
- c. (iii) only
- d. (i) and (iii)

11. Derived consumption curve from saving curve. Use schedule and figure. Write-down steps of construction. [3]

**OR**

‘As the income increases, people tend to save more.’ Justify the given statement.

12. Find the Value Added by Firm A, from the following information: [3]

SI No	Items	Amount (in ₹ crore)
I.	Purchase of factor inputs by Firm A	5
II.	Purchase of non-factor inputs by Firm A	2
III.	Sales by Firm A to other firms in the domestic economy	10
IV.	Import of raw materials by firm A from rest of the world	50
V.	Excess of opening stock over closing stock	3

**OR**

Calculate National Income from the following data:

SI No	Items	Amount (in ₹ crore)
i.	Mixed Income of the self employed	200
ii.	Old age pension	20
iii.	Dividends	100
iv.	Operating Surplus	900
v.	Wages and salaries	500
vi.	Profit	400
vii.	Employer’s contribution to social security	50
viii.	Net factor income from abroad	(-)10
ix.	Consumption of fixed capital	50
x.	Net Indirect Taxes	50

13. Will the following factor income be included in the domestic factor income of India? [4]
- Compensation of employees to the resident of Japan working in the Indian embassy in Japan.
  - Payment of fees to a Chartered Accountant by a firm.
  - Rent received by an Indian resident from the Russian embassy in India.
  - Compensation given by an insurance company to an injured worker.

14. A. Distinguish between current account and capital account of the Balance of Payments account based on its components. [4]
- B. In the estimation of Gross Domestic Product (GDP) using expenditure method, focus lies only on expenditure by the residents of the country." Do you agree with the given statement? Give valid reasons for your answer.

15. A. Elaborate 'Economic stability' function of the Government Budget. [4]
- B. From the following data, calculate the primary deficit.

S.no.	Particulars	Amount (in ₹ crore)
1.	Revenue deficit	40
2.	Non-debt creating capital receipts	190
3.	Tax revenue	125
4.	Capital expenditure	220
5.	Interest payments	20

16. A. If in an economy Saving function is given by  $S = (-) 50 + 0.2 Y$  and  $Y = ₹ 2000$  crores; consumption expenditure for the economy would be ₹ 1,650 crores and the autonomous investment is ₹ 50 crores and the marginal propensity to consume is 0.8. True or False? Justify your answer with proper calculations. [6]
- B. How does an initial increase in investment affect the level of final income of the economy? Show its working with a suitable numerical example.

**OR**

- A. In an economy, the equilibrium level of income is ₹15,000 Crore. The ratio of marginal propensity to consume and marginal propensity to save is 3:1. Calculate the additional investment needed to reach a new equilibrium level of income of ₹ 22,000 Crore.
- B. Giving reasons, state whether the following statements are true or false.
1. The value of the average propensity to save can never be zero.
  2. Deflationary gap exists when aggregate demand is greater than aggregate supply at full employment level.
17. A. Central bank issues money while commercial banks create money.' Comment on this statement. Also, discuss the impact of money creation by commercial banks on the national income of the country. [6]
- B. Devaluation and depreciation of currency are the same thing.' Do you agree? How do they affect exports of a country?

**SECTION B INDIAN ECONOMIC DEVELOPMENT**

18. Read the following statements carefully and choose the correct alternative: [1]

**Statement 1:** Modernisation refers to the use of recent technology only.

**Statement 2:** To enhance the productivity in an economy, women must be given equal opportunities at workplace.

**Alternatives:**

- 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.

**OR**

Read the following statements carefully and choose the correct alternative:

**Statement 1:** Zamindari was introduced by the British, to ensure proper control over the revenue system in India.

**Statement 2:** Zamindars were given full freedom to collect and keep the rent collected by them.

**Alternatives:**

- 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.

19. From the following statements regarding Goods and Services Tax (GST), identify the incorrect statement: [1]

- a. It ensures uniformity of tax rates across all states.  
 b. It ensures better tax compliance and tax collection.  
 c. All types of direct and indirect taxes have been subsumed by it.  
 d. It is imposed on the supply of goods and services.

20. Identify which of the following statements is not correct with reference to Self Help Groups? [1]

- a. Group members in need of funds can borrow at a nominal rate of interest.  
 b. Borrowings in the micro-credit system are taken for consumption purposes.  
 c. Micro-credit system has helped men in rural areas to become self-dependent.  
 d. Formal credit system has failed to provide credit to the needy people in the rural areas.

21. Match the situations given in Column I with their respective implications given in Column II: [1]

Column I	Column II
a. Migration	I. reduced in per capita economic growth
b. Low level of academic standards	II. Imbalance between demand and supply of human resource
c. Population- High Growth rate	III. Brain Drain

d. Lack of proper workforce planning	IV. Mismatch between required skill and academic standards
--------------------------------------	--

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

22. Global environmental issues contribute to increased financial commitments to the Government. This indicates. [1]

- a. The opportunity costs of negative environmental impacts are high.
- b. The social costs of negative environmental cost are high.
- c. The opportunity costs of positive environmental cost are high.
- d. The social costs of positive environmental cost are high

23. Identify which of the following statements is not correct with reference to Self Help Groups? [1]

- a. Group members in need of funds can borrow at nominal rate of interest.
- b. Borrowings in the micro-credit system are taken for consumption purposes.
- c. Micro-credit system has helped men in rural areas to become self-dependent.
- d. Formal credit system has failed to provide credit to the needy people in the rural areas.

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

**Assertion (A):** In developing countries, growth of human capital has been faster than the growth of per capita real income.

**Reason (R):** Empirical evidence to prove that increase in human capital causes economic growth is nebulous.

**Alternatives:**

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

25. What kind of tariff policy was needed to protect domestic producers from foreign competition, after independence? [1]

- a. low import tariffs, reduced import quota
- b. low import tariffs, increased import quota
- c. high import tariffs, reduced import quota
- d. high import tariffs, increased import quota

26. Choose the correct pair of statements, given in column I and the fact given in column II, about China, [1]

Column I	Column II

A. Great Leap Forward	I. Cultivating land Collectively
B. Commune System	II. Opening of the Industries in their homes
C. Proletarian Cultural Revolution	III. Students were sent to work and learn from the countryside
D. Economic Reforms in China	IV. 1988

Alternatives:

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

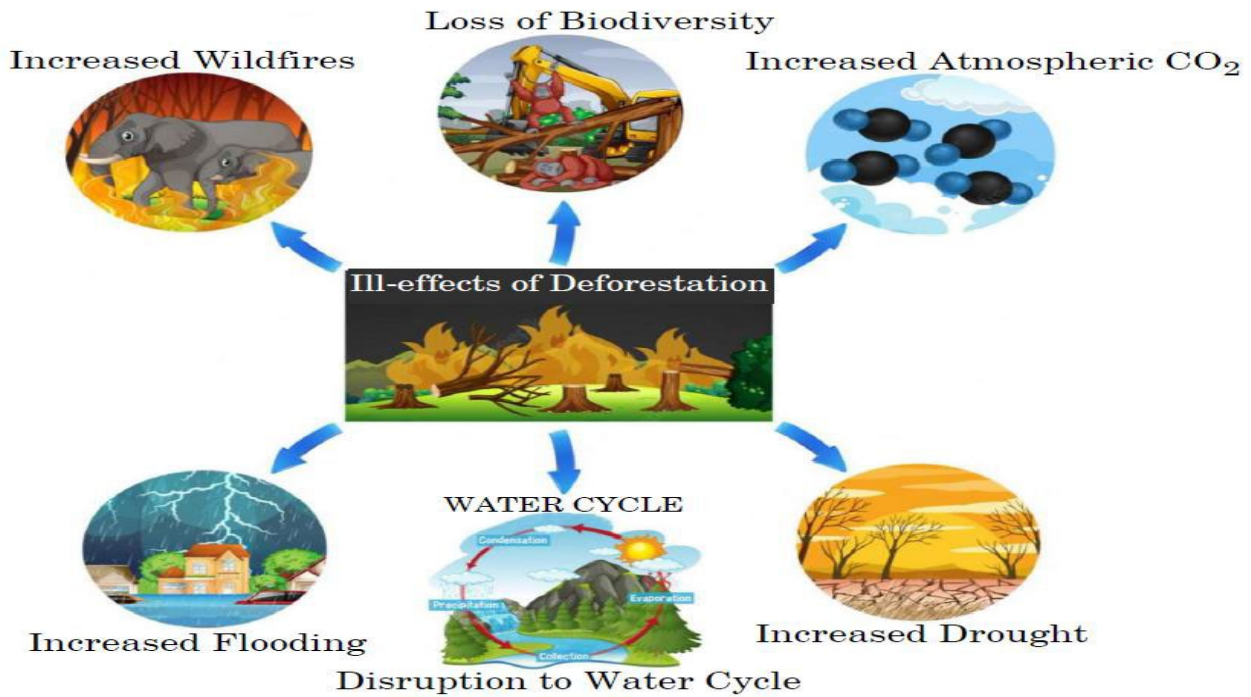
27. Edward Barbier’s definition of Sustainable economic development focuses on the need to [1]  
 a. Decrease absolute poverty      b. Decrease relative poverty  
 c. Decrease unemployment      d. Avoid imposition of added costs on future generations

28. The opening up of the Indian Economy has led to a rapid increase in Foreign Direct Investments and Foreign Exchange Reserves of the country.’ Defend or refute the given statement. [3]

OR

Explain the role of education in the economic development of the nation.

29. Elaborate any two ill-effects of Deforestation as depicted in the given picture. [3]



30. Compare and analyze the following information related to the output and growth of the three neighboring nations: [4]  
 neighboring nations:

**TRENDS IN OUTPUT GROWTH IN DIFFERENT SECTORS**

Country	1980 - 1990			2011 - 2015		
	Agriculture	Industry	Services	Agriculture	Industry	Services



<b>India</b>	3.1	7.4	6.9	2.3	5	8.4
<b>China</b>	5.9	10.8	13.5	4.1	8.1	8.4
<b>Pakistan</b>	4	7.7	6.8	2.75	3.4	4.4

31. A. "Recently the Government of India has taken numerous steps towards increasing the farmer's income through agricultural diversification." Considering the above statement, explain any two advantages of diversification in agriculture. [4]
- B. Kudumbashree' is a woman-oriented community-based poverty reduction programme being implemented in Kerala. In 1995, a thrift and credit society were started as a small savings bank for poor women with the objective to encouraging savings. The thrift and credit society mobilized ₹1 crore as thrift savings. These societies have been acclaimed as the largest informal banks in Asia in terms of participation and savings mobilized. Based on this passage, Discuss the role of Self-Help Groups (SHGs) in meeting the credit requirements of the poor.
32. A. "In the late 1990's India experienced a widening gap between the growth of GDP and employment generation". Discuss. [4]
- B. "Kavya works on her family farm and is neither paid in cash nor in the form of grains." Can she be categorized as a worker? Give valid reasons in support of your answer.

**OR.**

- A. 'Mr. Rishi, after completing his education, has joined his family business but his marginal productivity is zero.' Comment upon the employment status of Mr. Rishi. Give valid reasons.
- B. Compare and analyze the 'Women Worker Population Ratio' in Rural and Urban areas.

**WORKER – POPULATION RATIO IN INDIA 2017 – 2018**

Sex	Worker – Population ratio		
	Total	Rural	Urban
<b>Men</b>	52.1	51.7	53.0
<b>Women</b>	16.5	17.5	14.2
<b>Total</b>	34.7	35.0	33.0

33. A. What objectives did the British intend to achieve through their policies of infrastructure development in India? [6]
- B. "If the rate of resource extraction exceeds the rate of regeneration, it leads to a reduction in the carrying capacity of the environment." Discuss the rationale of the given statement with valid reasons.

34. Read the following passage and answer the questions below. [6]

India, it seems, is on the verge of its most ambitious privatisation drive ever. In the Union Budget for 2021-22, Finance Minister Nirmala Sitharaman announced that outside four strategic sectors, public sector units (PSUs) in the non-strategic sectors would be privatised or closed. In the strategic sectors themselves a bare minimum of PSUs will be present. We have not been told the period for implementation of this policy. The expression being used is 'privatization,' not 'disinvestment,' which is the sale of minority stakes in PSUs. The change in lexicon has been widely noted. The government's privatisation programme has the support of much of the intellectual community. Several economists have been urging the government for years to step up privatisation, most recently at a meeting with the prime minister in early January. The government has, however, not articulated the case for privatisation at any length. The Economic Survey of 2019-20 highlighted the efficiency gains from privatisation. In recent months, economists have said that the government needs to increase investment in infrastructure, and, in the present fiscal situation, the necessary resources can come only from privatization.

- A. What is the difference between disinvestment and privatization?
- B. What is the change in policy that can be observed from the time of independence till date with respect to the role of public sector?
- C. Critically analyse the concept of privatization citing any one merit and demerit of privatization.

**OR**

**Read the passage given below and answer the question.**

In the early 1980s, textile mills all over the country began to close. 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, 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. How did the primary goals listed in the five-year plans aim to deal with the given crisis?