



INDIAN SCHOOL SOHAR
TERM 1 EXAMINATION (2023 – 2024)
ECONOMICS (030)

CLASS: - XII
DATE: 28/09/2023

MAX MARKS: - 80
TIME: 3 HOURS

General Instructions:

Read the following instructions very carefully and strictly follow them:

1. This question paper comprises two sections **A** and **B**.
2. All questions are **compulsory**. Marks are indicated against each question.
3. Both sections have four questions of one mark each as Case-Based Questions (CBQs).
4. 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.
5. 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.
6. 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.
7. 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.
8. 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 must be attempted.

SECTION A: MACRO ECONOMICS

1. **Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative.** [1]

Assertion (A): Before reaching the Break-Even level of income, the value of Average Propensity to Consume (APC) is greater than one.

Reason (R): The Average Propensity to Consume (APC) is the ratio of the total consumption and total income.

Alternatives:

- A. Both Assertion (A) and Reason (R) are true Reason (R) is the correct explanation of Assertion (A).
- B. Both Assertion (A) and Reason (R) are true, Reason (R) is not the correct explanation of Assertion (A).
- C. Assertion (A) is true, and Reason (R) is false.
- D. Assertion (A) is false, and Reason (R) is true.

2. **Read the following statements carefully. Choose the correct alternative.** [1]

Statement 1: Primary deposits are the cash deposits by public with commercial banks.

Statement 2: Secondary deposits are those deposits which arise on account of credit provided by the commercial banks to the people.

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.
3. Medium of exchange function of money suggest that. [1]
 A. The 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.
4. If the value of investment multiplier = 4 and dissaving = (-) 60, identify the correct Saving function. [1]
 A. $S = (-) 60 + 0.25 Y$ B. $S = (-) 60 + 0.75 Y$
 C. $S = (-) 60 + 0.20 Y$ D. $S = (-) 60 + 0.60 Y$

OR

For the given Consumption function, $C = 120 + 0.9 Y$, the value of investment multiplier would be _____.

- A. 0.01 B. 10
 C. 0.9 D. 9
5. **Read the following statement-Assertion (A) and Reason (R). Choose one of the correct alternatives.** [1]
Assertion (A): Ex- post investment can be less than ex ante investment.
Reason (R): Equilibrium GDP is struck only when planned saving = planned investment.
Alternatives:
 A. Both Assertion (A) and Reason (R) are true, Reason (R) is the correct explanation of Assertion (A).
 B. Both Assertion (A) and Reason (R) are true, 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.
6. The Government can achieve its budget objective of 'Redistribution of Income' by_____. [1]
 A. managing the General Price Level in the economy to the desired level.
 B. increasing the Gross Domestic Products (GDP) of the economy.
 C. bringing the production of goods and services under its direct and absolute control.
 D. rationalisation of taxes in pro-poor direction.

Read the following and answer the questions 7 and 8 based on same:

It was observed after Covid-19, Unemployment is high, Wage rate decreased, and households have less disposable Income and Lower Purchasing Power. This causes a decrease in demand, but due to wage decrease, business have more money for Production, causing a discrepancy between the low level of demand and higher level of Output.

7. The above scenario demonstrates (Inflationary / Deflationary) gap in the economy. [1]

13. Read the following passage carefully and answer the questions based on the same. [4]

The financial system, especially banking, facilitates efficient allocation of resources from savers to investors and plays a significant role in economic growth. The banks are conduits in channeling resources to borrowers with productive investment opportunity. The banking system provides financial intermediaries and creates money supply. The process of bank credit is an important channel of monetary policy transmission. Banks accept and deploy enormous amounts of public funds as well as leverage such funds through credit creation. The main functions of the banking system are to mobilize resources from the public and channel them into growth-oriented activities. The more developed the banking system is, the better would be the financial intermediaries. The banking system with its widespread network is more effective in collecting savings from the public and allocating it to productive activities. The objective of monetary policy is to stabilize the financial system including inflation while that of the fiscal policy is to provide conducive environment for growth through managing taxes and expenditure.

- A. What is credit creation?
- B. Explain, using a numerical example, how an increase in reserve deposit ratio affects the credit creation power of the banking system.
14. An economy is operating at an under-employment level of income.' What is meant by the given statement? Draw diagram to validate the statement. Discuss one fiscal measure and one monetary measure to tackle the situation. [4]
15. Calculate the value of Marginal Propensity to Consume (MPC), if in an economy, autonomous consumption is ₹ 500 crores, ex-ante investments are ₹ 4000 crores and equilibrium level of Income of the economy is ₹ 18,000 crores. [4]

OR

Giving reasons, state whether the following statements are true or false.

- A. The value of the average propensity to save can never be zero.
- B. In an economy, the investment expenditure is 600 and the consumption function is $C=90+0.7Y$. The economy is in equilibrium at an income level ₹2000.
16. A. Define 'net factor income from abroad.' How is it different from 'net exports?' [6]
- B. Calculate the value of Rent from the following data.

S. No.	Item	(in ₹ Crore)
1.	Gross domestic product at market price	18000
2.	Mixed income of self employed	7000
3.	Subsidies	250
4.	Interest	800

- A. Private entrepreneurs lacked sufficient capital for investment.
 - B. The 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.
21. In the 20th century, under British rule, India had an export surplus. Where was this surplus used? [1]
- A. To invest in capital goods industries in India.
 - B. To invest in capital goods industries in Britain.
 - C. To meet the official and war expenses of the British.
 - D. To pay the salaries of Indian government employees
22. **Read the following statements carefully and choose the correct alternatives given below:** [1]
- Statement 1** – Subsidies do not add any burden on the financial health of a nation.
- Statement 2** – Complete removal of subsidies may violate the aim of equitable distribution of income.
- Alternatives:**
- A. Both the statements are true.
 - B. Both the statements are false.
 - C. Statement 1 is true, and Statement 2 is false
 - D. Statement 2 is true, and Statement 1 is false
23. The maximum size of cultivable land holding that an individual can own is known as _____. [1]
- A. subsistence farming
 - B. small holding
 - C. consolidation of holding
 - D. ceiling on holding
24. Long term objectives to be achieved over an extended period 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

Read the following hypothetical text and answer questions 25 and 26 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 the public sector expanded to a considerable extent, it could not bring the 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 if 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.

25. Which of the following was not a reason for the public sector to play a key role in the initial phase of Indian Economic Planning? [1]
- A. Private entrepreneurs lacked sufficient capital for investment.
 - B. The 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.

26. Read the following statements - Assertion (A) and Reason (R) and choose the correct alternatives. [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 Assertion (A) and Reason (R) are true Reason (R) is the correct explanation of Assertion (A).
 - B. Both Assertion (A) and Reason (R) are true 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.
27. From the set of statements given in Column I and Column II, choose the correct pair of statements: [1]

Column I	Column II
a. Casual Worker	(i) Skilled workers
b. Labour force	(ii) All persons willing to work as well as unwilling to work
c. Rate of participation	(iii) Participation of people in production activity
d. Informal workers	(iv) Entitled to social security benefits

Alternatives:

- A. a – (i)
 - B. b – (ii)
 - C. c – (iii)
 - D. d – (iv)
28. "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?

29. “Agriculture sector appears to be adversely affected by the economic reform process.” Explain the given [3]

statement.

30. “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]

31. **Read the following text carefully and answer the given questions based on the same.** [4]

In light of most potential benefits of international trade such as in creased sales and revenue, cost reductions, technology transfers, the search for higher quality products, industry development, general economic development etc. several countries have surprisingly either chosen to abstain altogether from the practice of trading goods and services with other nations or simply imposed economic and regulatory hurdles designed to drastically restrict the flow of tradable goods and services across their borders. More specifically, countries such as China, India and even United States to a certain extent at some point in their history, subscribed to one form of protectionism or trade control.

- A. State any two implications of Inward-looking trade strategy adopted by India from 1950 – 1990.
- B. State and explain the different forms of protection that can be used by an economy as a medium to restrict imports.

32. While subsidies encourage farmers to use modern technology, they are a huge burden on government finances. Discuss the usefulness of subsidies in the light of this fact. [4]

OR

Explain the need and type of institutional reforms implemented in agriculture sector of the Indian economy.

33. Define industrial policy reform. Explain the Industrial sector reforms introduced under the new economic policy. [6]

OR

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

34. A. Define the discriminatory tariff policy followed by the British in India. What was the two-fold motive behind the systematic de industrialization followed by the British in India? [6]
- B. Introduction of railways in India was considered as one of the most important contributions of British rule in India. How did it positively affect the Indian economy?