

MODEL QUESTION PAPER-2 (2022-23)

CLASS-12

ECONOMICS (030)

TIME: 3 HOURS

M.M. – 80

GENERAL INSTRUCTIONS:

1. This question paper contains two parts:

Part A - Macro Economics (40 marks) **Part B** - Indian Economic Development (40 marks).

2. Question No. 1-10 and Question No. 18 – 27 are 1-mark questions and are to be answered in one word/sentence.

3. Question No. 11-12 and Question No. 28 – 29 are 3 marks questions and are to be answered in 60 - 80 words each.

4. Question No. 13-15 and Question No. 30 – 32 are 4 marks questions and are to be answered in 80-100 words each.

5. Question No. 16-17 and Question No. 33 – 34 are 6 marks questions and are to be answered in 100-150 words each.

6. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

PART- A (MACRO ECONOMICS)

Q.1. Investment is aconcept whereas machinery in a factory is a
concept.

- a) Stock, flow b) Flow, stock c) Stock, stock d) Flow, flow

OR

If in an economy the value of Net Factor Income from Abroad is ₹ 300 crores and the value of Factor Income to Abroad is ₹ 90 crores. Identify the value of Factor Income from Abroad.

- a) ₹ 210 crores b) ₹ 390 crores c) ₹ 260 crores d) ₹ 150 crores **(1)**

Q. 2. Due to prolonged lockdown and loss of business caused by the recent COVID pandemic situation, what will be your suggestion to RBI, as a student of Economics, for preventing the economy to go into recession?

- a) Pump more money into the economy
b) Reduce the supply of money in the economy
c) Wait for the pandemic to get over
d) None of the above

(1)

- Q.3.** Fiat money refers to.....
- money whose commodity value is less than its money value
 - money whose commodity value is equal to its money value
 - money involving trust between the payer and the payee
 - money issued by authority of the government

(1)

OR

In the context of commercial banks, which statement is correct?

- Note issuing authority of the country
- Creates credit on the basis of cash reserves
- Accepts deposits of general public
- Both (b) & (c)

Q.4. Identify the correct pair of formula from the following column I and II:

Column I	Column II
(A) Surplus in BoP	(i) Receipts < Payments
(B) Surplus in BoP	(ii) Receipts = Payments
(C) Deficit in BoP	(iii) Receipts > Payments
(D) Current Account Deficit	(iv) Receipts in current account < Payments from current account.

Alternatives:

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

(1)

Q.5. Identify, which of the following statements is true ?

- Rise in exchange rate implies Appreciation of foreign currency in relation to domestic currency.
- Managed Floating comprises only the element of fixed exchange rate system.
- Decrease in demand for foreign currency leads to rise in exchange rate.
- Supply of foreign exchange is negatively related to rate of foreign exchange. (1)

Q.6. Deposits by NRIs are reflected as of foreign exchange in the

..... Account.

- | | |
|----------------------|----------------------|
| a) Receipts, current | b) payments, current |
| c) payments, capital | d) receipts, capital |

OR

Spot market is that market where:

- Only current transactions are handled
- Forward rate of exchange is determined
- Instant rate of exchange is determined
- Both (a) & (c)

(1)

Read the following news report and answer Questions 7 & 8 on the basis of the same:

In 2020, RBI governor Dr.Shaktikanta Das predicted a big global recession & announced a cut in Repo Rate to 4.4%, the lowest in the last 15 years. Also, the Cash Reserve Ratio (CRR) requirement for all the commercial banks was reduced.

SOURCE: **The Economic Times; March 27th, 2020**

Q.7. Cut in Repo rate by RBI is likely to..... (increase/decrease) the demand for goods and services in the economy. (1)

Q.8. Decrease in Cash Reserve Ratio will lead to.....
a) fall in aggregate demand b) no change in aggregate demand
c) rise in aggregate demand d) fall in general price level (1)

Q.9. The economy slips into Low Level Equilibrium Trap due to..... (Inflationary gap/deflationary gap). (1)

Q.10. “The impact of Deficient Demand” under Keynesian theory of income and employment, in an economy are:
a. decrease in income, output, employment and general price level
b. increase in income, output, employment and general price level
c. no change in output/employment but increase in general price level.
d. None of the above (1)

Q.11. Do you agree with the following statements. Give reason for your answer:
a) Gross Domestic Product at constant prices is a good measure of welfare of people in the economy. (1.5)

b) A Japanese working as Director in the office of International Monetary Fund located in India is a Normal Resident of India. (1.5)

Q.12. State, giving valid reasons, whether the following statements are true or false:
a) Export and import of capital goods such as plant & machinery should not be included in Capital Account. (1.5)
b) Accommodating items are free from the considerations of Profit. (1.5)

OR

“Surplus in Capital Account BoP always reflects prosperity of the nation.” Defend or refute the above statement with valid argument. (3)

Q.13. a) Define Credit Multiplier. (1)
b) Illustrate the process of Credit creation with the help of a hypothetical numerical example. (3)

Q.14. In an economy, the consumption function is $250 + 0.5Y$ & the investment expenditure is 400. Is the economy in equilibrium at an income level ₹1500 crores? Justify your answer. (4)

OR

Define: a) Natural rate of unemployment . (2)

b) Concept of short-run in Keynesian economics. (2)

Q.15. “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 had hit the economy hard.”

SOURCE: 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. (4)

Q.16 a) Do you agree that only those goods are included in the estimation of Domestic product which are sold or purchased in domestic market of a country? Justify your answer.

b) Is brokerage paid to Real Estate Agents on the sale and purchase of only new houses and not the old houses to be included in the estimation of National Income? Justify your answer. (3+3)

OR

From the following data, calculate GNP at FC by :

a) Income Method and b) Expenditure Method.

ITEMS	₹ (IN CRORES)
i) Net domestic capital formation	500
ii) Compensation of employees	1850
iii) Depreciation	100
iv) Government final consumption expenditure	1100
v) Private final consumption expenditure	2600
vi) Rent	400
vii) Dividend	200
viii) Interest	500
ix) Net exports	(-) 100
x) Profit	1100
xi) Net factor income from abroad	(-) 50
xii) Net Indirect taxes	250

(3+3)

Q.17. a) Elaborate the objective of “Redistribution of Income & Wealth” in the Government Budget.

b) Bring out the difference between Capital Receipts & Revenue Receipts. (3+3)

ALTERNATIVES:

- a) Both A & R are true and R is the correction explanation of A.
- b) Both A & R are true and R is not the correction explanation of A.
- c) A is true but R is false.
- d) A is false but R is true. (1)

Q.21 . Read the following statements---- **Assertion (A) and Reason (R)**. Choose one of the correct alternatives given below :

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

REASON (R) : Disinvestment is an excellent tool for discarding loss making PSUs.

ALTERNATIVES:

- a) Both A & R are true and R is the correction explanation of A.
- b) Both A & R are true and R is not the correction explanation of A.
- c) A is true but R is false.
- d) A is false but R is true. (1)

Q.22. Choose the correct pair of statements about India and China from the given table:

	CHINA		INDIA
A	China vested ownership of all resources with the State.	i)	Ownership of all resources was given to the private sector in India.
B	Private sector was the deciding authority with respect to what, how & for whom to produce in China.	ii)	Both public and private sector decided on what, how and for whom to produce in India.
C	China relied on Outward looking strategy of growth.	iii)	India also relied on Outward looking strategy of growth.
D	Economic reforms in China were introduced in 1978.	iv)	Economic reforms in India were introduced in 1991.

- a) A--- i b) B--- ii c) C--- iii d) D--- iv (1)

Q.23. Pakistan has an edge over India in the area of

- a) Urbanisation
- b) skilled manpower
- c) health facilities
- d) investment in education

OR

Rank India, Pakistan & China, in terms of better value of Human Development Index

Alternatives:

- a) 1st – Pakistan; 2nd – China; 3rd – India
- b) 1st – Pakistan; 2nd – India; 3rd – China
- c) 1st – China; 2nd – Pakistan; 3rd – India
- d) 1st – China; 2nd – India; 3rd – Pakistan (1)

Read, the following hypothetical Case Study carefully and answer Question numbers 24 - 27 on the basis of the same :

Since ages, farmers in India have taken recourse to debt. In the earlier times the same was from informal sources. Since independence with the efforts of the government, formal sector has actively come into picture. Farmers borrow not only to meet their investment needs but also to satisfy their personal needs. Uncertainty of income caused by factors like crop failure caused by irregular rainfall, reduction in ground water table, locust/other pest attack etc. These reasons push them into the clutches of the private money lenders, who charge exorbitant rates of interest which add to their miseries.

Various governments in India, at different times for different reasons, introduced debt relief/waiver schemes. These schemes are used by governments as a quick means to extricate farmers from their indebtedness, helping to restore their capacity to invest and produce, in short to lessen the miseries of the farmers across India. The costs and benefits of such debt relief schemes are, however, a widely debated topic among economists.

Some economists argue that such schemes are extremely beneficial to the poor and marginalised farmers while others argue that these schemes add to the fiscal burden of the government, others believe that these schemes may develop the expectation of repeated bailouts among farmers which may spoil the credit culture among farmers.

- Q.24.** Uncertainty of income for farmers in India is majorly caused by
(irregular rainfall/unavailability of loans). (1)
- Q.25.** Some economists argue that debt waiver schemes are extremely beneficial to the poor and marginalised farmers, as these schemes reduce the burden of(indebtedness/personal expenditures) (1)
- Q.26.** The rural banking structure in India consists of a set of multi-agency institutions are expected to dispense credit at cheaper rates for agricultural purposes to farmers (Regional Rural Banks / Small Industries Development Bank of India) (1)
- Q.27.** (NABARD/ Land Development Banks) is the apex body which handles policy, planning and operations in the field of rural credit. (1)
- Q.28.** “India has been facing major problems with respect to Human Capital Formation.” Defend the statement with valid arguments.

OR

As a minister of Rural Development, what will be your action plan for development of Rural India? (3)

Q.29. Bring out the difference between ‘Labour Supply’ & ‘Labour Force’. (3)

Q30. “The NEP has accelerated the growth process in India but it has been lopsided.” Explain the given statement. (4)

Q.31 . Is the planning objective of ‘Modernisation’ contradictory to the planning objective of ‘Employment generation’?

OR

Discuss briefly any FOUR Industrial sector reforms made by Government of India under NEP 1991. (4)

Q.32. Compare and analyse the given data of India, China & Pakistan with valid arguments.

Selected indicators of Human Development Index,2016

ITEMS	INDIA	CHINA	PAKISTAN
HDI Value	0.624	0.738	0.550
Rank based on HDI	131	91	148
Life expectancy at birth(years)	68.3	76	66.4
Infant mortality rate(per 1000 live births)	38	9	66
Maternal mortality rate(per 1 lakh births)	174	27	178
Population using improved sanitation(%)	40	77	64
Mean years of schooling(%)	6.3	7.6	5.1
Undernourished children(%)	39	9	45

Source: Human Development Report 2016 & World Development Indicators (4)

Q.33. a) If you were the Prime minister of India, which of the two approaches would you adopt to eradicate Poverty: ‘increase in social spending’ or ‘emphasis on GDP growth?’

b) Interpret the given picture on account of current environmental challenges.



(3+3)

OR

a) What do you mean by ‘Jobless Growth’?

b) Analyse the trends in sectoral distribution of workforce in India as per the given data:

Trends in Employment Pattern (Sector wise), 1993-2012 (in %)

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

(2+4)

Q.34 State, giving valid reasons whether the following statements are true or false :

- a) Despite a significant rise in public investment during the Planning period the GDP growth has continued to be slow.
- b) Development of an economy is negatively related to the infrastructural growth.
- c) Expenditure on Education is the most effective way of adding to the existing stock of Human Capital.

(2+2+2)

MARKING SCHEME MODEL QP 2; CLASS XII

1. b or part (b)
2. a
3. d **or** part (d)
4. d
5. a
6. d **or** part (d)
7. increase
8. c
9. deflationary gap

10. a **(1x10=10)**

11. a) When GDP of a given year is estimated on the basis of price of base year it is called Real GDP/ GDP at constant priced. Yes, Real GDP is a better indicator for reflecting welfare of people of an economy because Real GDP is affected by changes in physical output only. **(1.5)**
b) IMF is an international organisation. Any employee working here is a normal resident of his/her own country . Hence the Japanese director is a normal resident of Japan and not India. **(1.5)**
12. a) True. Export & import of all types of goods, whether consumer goods or capital goods, is recorded as ‘visible trade’ in the Current Account of BoP. Thus export and import of plant and machinery has nothing to do with Capital Account BoP. **(1.5)**
b) True. They are meant to correct BoP imbalance. These items involve only the movement of official reserves with the RBI. **(1.5)**

OR

No. It is not correct to say that surplus in capital account always reflects prosperity of the nation. This is because surplus in capital account BoP may have been achieved through loans which are a financial obligation to R.O.W. **(3)**

13. a) It shows the number of times the commercial banks can create credit per unit of their cash reserves with the RBI . Credit multiplier= $1/CRR$. **(1)**
b) The money/credit creation by the commercial banks is determined by the amount of primary/initial deposit and the LRR. Take hypothetical Initial deposit, LRR percent and then explain how Secondary deposits will increase money supply on the basis of Money/Credit Multiplier. **(3)**

14. $C = 200 + 0.5Y$; $I = 400$; $Y = 1500$; At equilibrium level $Y = C + I$;
 $Y = 200 + 0.5Y + 400$;
 $Y = 600 + 0.5Y$; $0.5Y = 600$; $Y = 600/0.5$; $Y = 1200$. The economy is not in equilibrium Because the given level of income of ₹1500 crores is greater than the equilibrium level of income of ₹1200 crores. **(4)**

OR

- a) That minimum rate of unemployment which always exists in an economy. This happens due to constantly changing parameters in the economy. **(2)**

b) As per Keynesian economics, short run is defined as a period of time during which technology plays no role in the determination of output in the economy. It is assumed to remain constant. Output is determined exclusively by the level of employment in the economy. (2)

15. The data is indicative of the situation of Recession due to lockdown. Cheap money policy is to be followed. Two fiscal policy measures may be explained such as increase in government expenditure and reduction in taxes. (Follow the word limit) (4)

16. a) The statement is incorrect. Exports are also a part of domestic product. Exports include goods produced in the domestic economy and sold in the R.O.W. (Follow word limit) (3)

b) No. Brokerage relates to payment for services. Whether it is a new or an old house, the brokerage payment will be included in the estimation of national income. (Follow word limit) (3)

OR

a) Income method: $GNP_{FC} = COE + OS(Rent + Interest + Profit) + Depreciation + NFIA$
 $= ₹3900 \text{ crores}$

(2 marks for steps & 1 mark for correct answer)

b) Expenditure method : $GNP_{FC} = GFCE + PFCE + NDCF + Depreciation + Net \text{ exports} + NFIA$
 $- Net \text{ Indirect taxes}$
 $= ₹3900 \text{ crores}$

(2 marks for steps & 1 mark for correct answer)

NOTE: No marks to be awarded if only the answer is written.

17. a) The government uses fiscal instruments of taxes and subsidies with a view to improving the distribution of income and wealth in the economy. Equitable distribution of income & wealth is a sign of social justice which is the principal objective of a welfare state like India. By imposing taxes on rich and giving subsidies to the poor as well as by supplying foodgrains to BPL population at a low price, the government tries to improve the distribution of income and wealth in the economy.

(3)

b) **Revenue Receipts:** neither create any liability nor reduce any asset of the government. Recurring in nature. No future obligation to return the amount. E.g. income tax, GST, interest, fee etc.

c) **Capital Receipts:** either creates a liability or reduce any asset of the government. Irregular & Non-recurring in nature. Some of them create future obligations of returning along with interest such as borrowings. Another example is disinvestment. (1 ½ + 1 ½)

PART-B INDIAN ECONOMIC DEVELOPMENT

- 18. b
- 19. c
- 20. a **or** part (b)
- 21. b
- 22. d
- 23. a **or** part (d)
- 24. irregular rainfall
- 25. indebtedness
- 26. RRBs
- 27. NABARD

(1x10)

28. Explain the challenges in Human capital formation in India such as rising population, brain drain, deficient manpower planning, insufficient on-the-job training, low academic standards etc. (Follow the word limit) **(3)**

OR

Rural development plan means an action plan for the social and economic growth of the rural areas. Explain as a minister of rural development, what would be your contribution in tackling 'lingering challenges' of rural credit and rural marketing as well as 'emerging challenges' of diversification of productive activities, need for organic farming etc. (Follow word limit) **(3)**

29. Labour supply : supply of labour corresponding to different wage rates. Measured in terms of man-days of work which is 8 hours of work per day. Always related to wage rate. It can increase/decrease even if number of workers remain constant.

Labour force : number of persons actually working or willing to work. Not related to wage rate. Size of labour force increases/decreases only when number of persons actually working or willing to work increase/decrease. **(1 ½+1 ½)**

30. LPG has not been an inclusive growth process. It does not include all the sectors of the economy. It increasingly relied on the 'service-sector' of the economy. The IT-focussed growth process has gradually over-shadowed the process of industrialisation, besides neglecting farming sector. Alarming to note that Indian farmer has shifted to production of cash crops for foreign markets causing a shortfall of domestic supply of foodgrains. We are often forced to import food grains despite Green revolution. Rising price of food products should serve as a wakeup call for correcting the lop-sided growth process. **(4)**

31. Both are goals of planning and hence must complement each other. Modernisation leads to increase in productivity. This further leads to higher level of production activity and higher level of income in the country. As a result, demand for goods & services rises leading to expansion of employment opportunities. However, lately the nature of growth process has led to emergence of technology as the principal driver. This has caused labour to be substituted rather than supplemented. Consequently, Jobless growth is emerging to be a challenge for the planners. Thus, the dichotomy between the two in the recent times is an emerging challenge. **(4)**

OR

Explain the Industrial sector reforms such as Abolition of industrial licensing, contraction of public sector, de-reservation of production areas, expansion of production capacity, freedom to import capital goods. (Follow the word limit). **(4)**

32. Study the data and analyse on a comparative basis about the HDI indicators reflecting the stage of development of India, China & Pakistan. (4)

33. a) Both the approaches are complementary to each other. Increase in social spending would improve the quality of life of poor through free education, healthcare, cheaper housing etc. It is a short period approach to combat poverty. On the other hand, GDP growth is a long process which will focus on generation of employment opportunities, greater investment across secondary and tertiary sectors. It will have 'trickle-down effect' of growth. Hence I will strike a balance between the two. (3)

b) Discuss Global warming, land degradation, air and water pollution, ozone layer depletion, loss of bio-diversity etc. (Follow word limit) (3)

OR

a) A situation when the level of output in the economy tends to rise owing to innovative technology without any perceptible rise in the level of employment. It leads to chronic unemployment even when GDP is rising. (2)

b) Study the data and analyse on a comparative basis about the sectoral pattern of employment in India. Comment on the trend indicators as well. (Follow word limit)

(4)

34. a) True. The primary reason is that the bulk of public investment has gone into such areas of production where capital-output ration is very high. Hence, output per unit of input has remained low.

b) False. Infrastructure contributes to development by way of promoting productivity, inducing investment, generating linkages in production, enhancing size of the market, enhancing ability to work, improving quality of life and facilitating outsourcing.

c) True. Education raises a productive workforce in the country. It adds to the stock of skilled and expert human capital in the country. Most families incur a huge expenditure on education even when they have to raise loans because returns on such expenditures are substantially large. Monetary benefits of education far exceed the cost of education. (2+2+2)
