

PT-2/HALF YEARLY EXAMINATION, 2022-23

ECONOMICS

Time – 3 hours

Class – XII

M.M. : 80

Date – 10.09.2022 (Saturday)

Name of the student _____ Section _____

General Instructions –

- This question paper contains two parts : Part A –Objective questions.
Part B –Subjective questions.
- Question No. 1-20 are 1 mark questions.
- Question No. 21-22 are 2 marks questions.
- Question No. 23-26 are 3 marks questions and are to be answered in 60 - 80 words each.
- Question No. 27-31 are 4 marks questions and are to be answered in 80-100 words each.
- Question No. 32-34 are 6 marks questions and are to be answered in 100-150 words each.
- Case Based Questions (CBQs) are Question No. 35-37 (6 marks).
- Answers should be brief and to the point and the above word limit be adhered to as far as possible.

SECTION A

- Q.1 When the government prints and circulates more currency in the economic system, it may (1)
- a) bring down the general price level b) push up the general price level
c) increase the supply of goods and services d) none of the above
- Q 2 The first official census was conducted in India in : (1)
- a) 1882 b) 1881 c) 1885 d) 1886
- Q 3 Real flow is also known as (1)
- a) Nominal flow b) Physical flow c) Money flow d) Both (b) and (c)
- Q 4 Whose attempt to estimate India's national and per capita income during the colonial period was considered very significant. (1)
- a) Dadabhai Naoroji b) William Digby c) Findlay Shirras d) V.K.R.V. Rao
- Q 5 Capital at the end of the year 2012 was Rs.100 crore and at the end of the year 2013 was Rs. 110 crore. Depreciation during the year 2013 was Rs. 5 crore. Gross investment during 2013 is:- (1)
- a) Rs. 5 crore b) Rs. 10 crore c) Rs. 15 crore d) Rs. 110 crore
- Q 6 "Rate cuts might not be imminent "- Reserve bank of India. [The Economic Times]
Why RBI is not ready to cut the rates ? (1)
- a) It may fuel inflation b) It may fuel deflation
c) It will not affect money supply d) None of these

- Q 7 Read the following statements - Assertion (A) and Reason (R): (1)
Assertion (A): The monetary policy is a policy formulated by the central bank.
Reason (R): The policy involves measures taken to regulate the supply of money, availability, and cost of credit in the economy.
 From the given alternatives choose the correct one:
 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.
- Q 8 Losses are classified as : (1)
 a) Stock variable b) Flow variable c) Either a or b d) Neither a nor b
- Q 9 Which of the following measures would result in an increase in the money supply in the economy? (1)
 1. Purchase of government securities from the public by the Central Bank
 2. Deposit of currency in commercial banks by the public
 3. Borrowing by the government from the Central Bank
 4. Sale of government securities to the public by the Central Bank
 Select the correct answer using the codes given below :
 (a) 1 only (b) 2 and 4 (c) 1 and 3 (d) 2, 3 and 4
- Q 10 National Income differs from Net National Product at market price by the amount of: (1)
 (a) Current transfers from rest of the world (b) Net Indirect Taxes
 (c) National debt interest (d) It does not differ
- Q11 The distribution phase of the circular flow of income involves : (1)
 (a) Production of goods and services (b) Flow of factor income
 (c) Expenditure on goods and services (d) None of these
- Q12 Fill in the blank: $NNP \text{ at FC} \dots\dots\dots = GDP \text{ at MP}$ (1)
 a) + Depreciation – Net Factor Income from abroad – Net Indirect taxes
 b) + Depreciation + Net Factor Income from abroad + Net Indirect taxes
 c) + Depreciation – Net factor income from abroad + Net Indirect taxes
 d) + Depreciation + Net factor income from abroad – Net Indirect taxes
- Q13 Which of the following falls under the domestic territory of India? (1)
 (a) Japanese Embassy in India
 (b) Branch of a foreign bank in India
 (c) Branch of State Bank of India in the USA
 (d) A company located in the UK owned by an Indian

Q 14 Which of the following developments can occur in an economy due to deficit financing? (1)

1. Rise in inflation
2. Rise in government debt
3. Increase in money supply
4. Improvement in current account deficit

Select the correct answer using the codes given below:

- a) 1 and 2 only b) 1, 3 and 4 c) 2 and 4 only d) 1, 2 and 3

Q15 Read the following statements - Assertion (A) and Reason (R): (1)

Assertion (A) – Demand for foreign exchange and exchange rate moves in the same direction.

Reason (R) : When the exchange rate rises domestic goods become cheaper in the international market.

From the given alternatives choose the correct one:

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.

Q16 Match the statements given under A with the correct options given under B.(1)

Column - A	Column - B
i) Factor Income	A – Consumption of Fixed Capital
ii) Intermediate Goods	B – Received by factors of production
iii) Depreciation	C – Goods and Services Tax
iv) Indirect tax	D – Goods within the production boundary

Options

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

Q17 India is facing continuous deficit in its balance of payments. In the foreign exchange market rupee is expected to _____ (1)

- a) Depreciate
- b) Appreciate.
- c) Show no specific tendency.
- d) Depreciate against currencies of the countries with positive balance of payment and appreciate against countries with negative balance of payment.

Q18 Read the following statements - Assertion (A) and Reason (R): (1)
Assertion (A): Industries were reclassified into three categories, viz., Schedule A, Schedule B, and Schedule C in Industrial Policy Resolution (IPR) 1956.

Reason (R): The system of Industrial Licensing was used for all types of industries after the IPR 1956.

From the given alternatives choose the correct one:

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.

Q19 Read the following statements carefully and choose the correct alternative from the (1) following:

Statement 1 – Quotas are a tax on imported goods while tariffs specify the number of goods which can be imported.

Statement 2 –Subsidies do not add any burden on the financial health of a nation.

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

Q20 Reason behind the decay of handicrafts industry in India was (1)

- a) All of these
- b) More tariff on export of raw material from India
- c) Heavy duty on Indian handicrafts products
- d) More tariff on import of British goods into India

Q21 GNP at FC based on following data will be _____. (2)

Particulars	Rs. in Crores
NDP at MP	80,000
Net Factor Income to Abroad	200
Depreciation	4,950
Subsidies	1,770
Indirect Tax	10,600

- a) Rs 93580 crores
- b) Rs 84750 crores
- c) Rs 75920 crores
- d) Rs 76320 crores

Q22 Intermediate consumption from the following date will be _____. (2)

	Rs in Crores		
i) Value of Output	200		
ii) Net Value added at factor	80		
iii) Sales Tax	15		
iv) Subsidy	5		
v) Depreciation	20		
a) Rs 80 crores	b) Rs 100 crores	c) Rs 95 crores	d) Rs 90 crores

OR

Items	(Rs. in thousand)
(i) Sales	200
(ii) Depreciation	10
(iii) Net indirect taxes	20
(iv) Purchase of intermediate products	150
(v) Change in stock	(-)10
(vi) Purchase of machinery	100

Net Value Added at Market Price by firm 'Y' based on the above data will be :

- a) Rs 30,000 b) Rs 10,000 c) Rs 40,000 d) Rs 50,000

Section B

Q 23 Explain the basis of classifying goods into intermediate and final goods. Give suitable examples. (3)

OR

State with valid reason, which of the following statement is true or false:

- Gross Value Added at market price and Gross Domestic Product at market price are one and the same thing.
- Nominal GDP is affected by both prices and quantities.

Q 24 Giving reasons, explain the treatment assigned to the following while estimating National Income. (3)

- expenditure on adding a floor to a factory.
- payment of fees to an architect engaged by a firm.
- payment of royalty by a government firm.

Q 25 Elaborate the objective of "allocation of resources" in the Government budget. (3)

OR

Discuss briefly how the Government budget can be used as an effective tool in the process of employment generation.

Q 26. What was the condition of foreign trade at the time of Independence? (3)

Q 27 "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". (4)

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.

- Q 28 What are the implications of a large revenue deficit ? Give two measures to reduce this deficit. (4)
- Q 29 "India is taking huge leaps in the index of Ease of Doing Business. As a result, many MNCs are shifting their production base to India". In the light of the above statement, comment upon the flow of foreign exchange and its likely impact on the Indian economy. (4)
- Q 30 'Atma nirbhar 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. (4)
- Q31 a. Define money multiplier. (1+3)
b. "Credit creation is inversely related to the legal reserve ratio". Justify the given statement, using a hypothetical example.
- Q 32 Mention the development of Industrial sector between 1950-1990. (6)
- Q33 State, giving valid reasons, whether the following statements are true or false: (6)
- a) Current account in Balance of Payments records only the exports and imports of goods and services.
- b) Borrowings from abroad are recorded in the Capital Account of the Balance of Payments on the debit side.
- c) When there is trade deficit and current account deficit, there will always be Balance of Payments deficit.
- Q 34 a) From the following data calculate the value of Domestic Income: (4+2)
- | S.No. | ITEMS | Amount (in Rs. Crores) |
|-------|-------------------------------|------------------------|
| i) | Compensation of Employees | 2,000 |
| ii) | Rent and Interest | 800 |
| iii) | Indirect Taxes | 120 |
| iv) | Corporate Tax | 460 |
| v) | Consumption of Fixed Capital | 100 |
| vi) | Subsidies | 20 |
| vii) | Dividend | 940 |
| viii) | Undistributed Profits | 300 |
| ix) | Net Factor Income from Abroad | 150 |
| x) | Mixed Income of Self Employed | 200 |
- b) Distinguish between 'Value of Output' and 'Value Added'.

OR

- a) Suppose the Gross Domestic Product (GDP) of Nation X was Rs. 2,000 crores in 2018-19, whereas the Gross Domestic Product of Nation Y in the same year was Rs. 120,000 crores. If the Gross Domestic Product of Nation X rises to Rs. 4,000 crores in 2019-20 and the Gross Domestic Product of Nation Y rises to Rs. 200,000 crores in 2019-20. Compare the rate of change of GDP of Nations X and Y, taking 2018-19 as base year.
- b) Discuss any two components of 'Net Factor Income from Abroad'.

Q. No. 35-37 are to be answered on the basis of the following data:

India's post-1990 economic strategy entailed three important breaks with the past:

- To dismantle the vast network of controls and permits that dominated the economic system.
- To redefine the role of the state as a facilitator of economic transactions and as a neutral regulator rather than the primary provider of goods and services.
- To move away from a regime of import substitution and to integrate fully with the global trading system.

The 1991 reforms unleashed the energies of Indian entrepreneurs and gave untold choice to the consumers and changed the face of the Indian economy. The reform agenda constituted a paradigm shift, and has defined the broad contours of economic policymaking for three decades.

Liberalization was adopted as the guiding principle of governance and all governments since 1991, have broadly stuck to that path.

Today we don't need a paradigm shift. We need to look at individual sectors and see which one of these needs, reforms to create a competitive environment and improve efficiency. The power sector, the financial system, governance structures and even agricultural marketing need reforms.

Today's reforms also require much more discussion and consensus-building. The central government needs to work in tandem with state governments and consult different stakeholders impacted by reform decisions. Timing and sequencing are critically important in the new reforms' agenda.

Source: Excerpts from 'Like 1991, the 2021 crisis presents an opportunity, by C. Rangarajan, 22nd January 2021(livemint.com)

Q 35 Read the following statements carefully and choose the correct alternatives given below: (1)

Statement 1 – 1991 was a landmark moment in India's post-independence history as that changed the nature of the economy in fundamental ways.

Statement 2 – India's economic establishment launched a multipronged reforms agenda to repair India's macroeconomic balance sheet and ignite growth.

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

Q 36 In the light of the given text and common knowledge, identify the incorrect statement: (2)

- a) A severe balance of payments problem triggered an acute economic crisis in 1991.
- b) In 1991, the economic and political leadership launched a multipronged reforms agenda to repair the macroeconomic situation of the nation.
- c) In post 1991 situation, the state was given the role of primary regulator of the economy.
- d) Post pandemic, individual sectors should be looked closely. Sectors that need reforms should be identified and corrective action should be taken.

Q 37 Discuss briefly any two major steps taken by the Government of India on "Financial Sector" front under the Economic Reforms of 1991. (3)

