

SAMPLE QUESTION PAPER-ECONOMICS-XII

1. This question paper contains two parts:

Part A - Macro Economics (40 marks)

Part B - Indian Economic Development (40 marks)

2 Marks for questions are indicated against each question.

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

4 Case Based Questions (CBQ's) are Question No. 6-9 and Question No. 23-26.

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

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

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

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

SECTION-A

Multiple choice questions (Q. no 1 to 5)

1. Direct tax is a tax whose : (1)

- a) The liability to pay and incidence do not lie on the same person
- b) The liability to pay lies on one and incidence lies on the other person
- c) The liability to pay and incidence do lie on the same person
- d) The liability to pay and incidence do lie on the government

2. Which among the following is the limitation of barter system of exchange. (1)

- a) Lack of divisibility
- b) Lack of store of value
- c) Lack of common measure of value
- d) All of these

3. Choose the correct statement from given below (1)

- a) Balance of trade is a component of capital account of Balance of Payments.
- b) Floating exchange rate is used to stabilize prices of foreign currency
- c) Increase in the supply of foreign exchange rate leads to fall in its price
- d) Rise in exchange rate leads to revaluation of currency

4. Read the following statements Assertion(A) and Reason(R). Choose one of the correct alternatives given below (1)

Assertion(A) Depreciation of domestic currency leads to improvement in the balance of trade.

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

Alternatives:

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

5. Write the correct pair (1)

Column I	Column II
A. Export and Import of Goods	1. Accommodating item
B. Foreign Exchange Reserve	2. Autonomous item
C. Balance of Trade	3. Difference between Export and Import of Visible items
D. Unilateral Transfers	4. Factor Incomes in the form of interest, rent, etc.

Codes

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

Case based question (Q.no.6 to9)

Read the following case study paragraph carefully and answer the following questions on the basis of the same.

In the simple Keynesian model of income determination, we assume that there is no government activity in the economy. If we remove this assumption to see how the equilibrium level of income can be determined in the presence of economic activity of the government, it can be seen that, the government collects money from the economy and spends money into the economy. Government expenditures and receipts have an important effect on the economy.

Government budget has two sides viz. the expenditure side and the receipt side. Money inflows in the receipt side of the budget are of three types, i.e. taxation, public borrowing and sales of goods and services; money outflow in the expenditure side of the budget are also of three types i.e purchase of goods and services, transfer payment and repayment of debts. Taxation is a compulsory contribution made by the people to the government against which no direct payments are made by the government.

A taxpayer becomes poorer by the amount of taxes. Hence, the income available in the hands of the people is reduced by the amount of taxes paid. Public borrowing is made through the sale of new government bonds, which people voluntarily purchase. Neither their income nor their wealth is deduced thereby. They simply alter the form and composition of wealth in the private sector. An increase in the net indebtedness of the government to the central bank takes place through the creation of new money by the central bank

6. If government increases its expenditure on the infrastructural project, how will this impact the aggregate demand? (1)

- a) Increase
- b) Decrease
- c) Remains constant
- d) Increase in a three sector closed economy

7. what will be the impact on the aggregate demand, if the government increase tax rates as it is a main source of government's revenue (1)

- a) Increase
- b) Decrease
- c) Remains constant
- d) Either Increase or decrease .

8. Public borrowings by the government will lead to -----(increase/decrease) money supply in the economy. (1)

9. Suppose government gives subsidies to an industry to share its cost and help the industry to establish it in the long run. This represents which of the following objectives of the government budget? (1)

- a) Reducing income inequality
- b) Reallocation of resources

c) Social Welfare

d) Fiscal Discipline

10. Under -----system of exchange rate, countries were required to fix their currency against US dollar. (1)

Or

Capital account of balance of payment is a ----- concept.

11. Differentiate between central bank and commercial bank. (3)

12. Explain the effect of depreciation of domestic currency on exports. (3)

13. The value of nominal GNP of an economy in a particular year is Rs.1400 crore. The value of GNP of that country during the same year evaluated at the prices of the base year was Rs. 1600 crore.

Calculate the value of GNP deflator of the year in percentage terms. Has the price level risen between the base year and the year under consideration? (4)

14. Give the differences between ex-ante savings and ex-post savings.

Or

What do you understand by frictional unemployment and structural unemployment? Explain briefly. (4)

15. Categorise the following government receipts into revenue and capital receipts . Give reasons for your answer (4)

1. Receipts from sale of shares of public sector undertaking.
2. Borrowings from public.
3. Profits of public sector undertaking.
4. Income tax received by the government.

16. Why are exports included in the estimation of domestic product by the expenditure method?

Can Gross Domestic Product be greater than Gross National Product? Explain. (6)

Or

From the following data, calculate national income by income method and expenditure method.

S.No.	items	Rs. In crores
1	Government final consumption expenditure	400

2	Subsidies	40
3	Rent	800
4	Wages and salaries	2400
5	Indirect tax	240
6	Private final consumption expenditure	3200
7	Gross domestic capital formation	480
8	Social security contributions by employer	220
9	Royalty	100
10	Net factor income paid to abroad	120
11	Interest	80
12	Net domestic capital formation	440
13	Profits	520
14	Net export	280

17. An increase of Rs. 250cr. In investment in an economy resulted in total increase in income of Es. 1000Cr. Calculate the following (6)

- Value of Multiplier(K)
- Marginal Propensity to Consume(MPC)
- Change in Consumption expenditure
- Change in Savings

SECTION- B

Multiple choice questions(Q.No.18 to 22)

18. Green revolution introduced during the planning process was restricted mainly to (1)

- Wheat and Rice
- Cereals and Pulses
- Cotton and Jute
- Jowar and Bajra

19. Which of the following is not true for Small Scale Industries(SSIs) (1)

- SSI is labour intensive and therefore, employment oriented.
- SSI needs small investment and therefore , equity oriented.
- SSI is capital intensive and therefore increases productivity.
- SSI shows location flexibility and it is therefore, equality oriented.

Or

British entered India through East India Company, the company came to India for

- a) Spice trade b) Gold trade c) Iron trade d) None of these.

20. Choose the incorrect statement from the statements given below (1)

- a) Till 1980's India, China and Pakistan had similar growth rates and per capita income.
b) China introduced reforms in agriculture, foreign trade and investment sector in the initial phases .
c) First five year plan of China commenced in 1956.
d) India and Pakistan both opted for mixed economic systems.

21. . Read the following statements Assertion(A) and Reason(R). Choose one of the correct alternatives given below (1)

Assertion(A) Lack of training in farming activity leads to low productivity and growth of agriculture in India.

Reason(R). Reforms in India focused upon development of industries which was failed to generate enough employment.

Alternatives:

- a) Both Assertion(A) and Reason(R) are true , and Reason (R) is the correct explanation of the Assertion(A)
b) Both Assertion(A) and Reason(R) are true , but Reason (R) is not the correct explanation of the Assertion(A)
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22. Write the correct pair (1)

Column I	Column II
A Animal husbandry	1. Period between 1991 and 2003
B Fisheries	2. Owing to this, milk production has increased more than 10 times between 1960 and 2009
C Horticulture	3. It is widely practised in the states of Kerala, Gujarat, Maharashtra and Tamil Nadu.
D Golden revolution	4. This sector contributes 69% towards the GDP of the country

Codes

A B C D

A B C D

a) (i)(ii)(iii)(iv)

b)) (ii)(iii)(iv)(i)

c) (iii)(iv)(i)(ii)

d)) (iv)(i)(ii)(iii)

Case based questions(Q.No.23 to 26)

Read the following case study and answer the following questions:

Traditionally, economic theory has given emphasis on physical capital accumulation as the most robust source of economic growth, at least in the short run, with exogenous technical progress being the long run determinant of growth. The exogeneity of technical progress in the neoclassical growth model and the difficulty of explaining the long term growth(because of diminishing returns of physical capital) have restricted the analytical capacity of the neoclassical model and it's empirical verification.

Human capital theory suggests that individuals and society derive economic benefits from investments in people(Sweetland1996), Education has consistently been emerged as the prime human capital, but Becker(1993) and Schultz(1997) have argued that health and nutritional expenditure is also a part of human capital investment. This is because education is perceived to contribute to health and nutritional improvements.

Education, health, nutrition, water and sanitation complement each other, with investments in any one contributing to better outcomes in the others(worldBank,2001). In models of economic growth, human capital in the form of schooling or enrolment has been given a central place while the role of health has remained peripheral.

Source: International journal of Economic Sciences and Applied Research.

23.Economic growth depends upon (1)

a) Development of Physical Capital

b) Development of Human Capital

c) Development of Working Capital

d) All of these.

24.Economic development depends upon which of the following components? (1)

a) Development of Physical Capital

b) Development of Human Capital

c) Development of Working Capital

d) All of these.

25.Human capital is -----(broader/narrower) concept as compared to human development. (1)

26. Training is an important component of human capital formation process. Which of the following are types of on-job-training? (1)

a) On-campus Training

b) Off-campus Training

c) Both a) and b)

d) None of these.

27. Economic reform in Pakistan was introduced in -----(1988/1990) (1)

28. It has been realized that agricultural finance is not available in sufficient quantity at the right time and at reasonable rate of interest. As an agriculturist, suggest any two measures to make the existing system of agricultural finance serve fully the needs of agriculture effectively. (3)

29. Why and how do the firms give on-the job training to employees? (3)

Or

Why calorie based norm is not adequate to identify the poor?

30. Discuss the reasons as to green revolution was implemented in India?

Or

Why was it necessary for a developing country like India to follow self reliance as an objective of economic planning? (4)

31. Low employment among women is a reflection of economic backwardness of a country. Suggest some measures for increased employment opportunities for women. (4)

32. China's rapid Industrial growth can be traced back to its reforms in 1978. Enumerate the reforms initiated. (4)

33. Briefly discuss the financial sector reforms initiated in the New Economic Policy. (6)

34. India is a favorite outsourcing destination among MNCs. What are the factors responsible for this trend?

Or

Discuss the various institutional sources of rural credit. (6)

	<p>The fiscal plan delivered by Finance Minister Nirmala Sitaraman proposed tax reductions for individuals and wider deficit targets, but failed to provide specific steps to fix a struggling financial sector, improve infrastructure and create jobs. Stocks slumped, reflecting the subdued sentiment.</p> <p>“ Far from being a game changer , the budget provides little in terms of short term growth stimulus” said Priyanka Kishore, head of India and South-East Asia economics at Oxford Economics Ltd. In Singapore.” While Income tax cuts will provide some relief on the consumption front, the multiplier effect is low and the overall stance of the budget is not explanatory.</p> <p>The focus now shifts to RBI’s interest rate decision on February 6,2020. However, having already cut Interest rates five times last year and with inflation exceeding 7%, well above the central bank’s target, there’s limited scope for Governor Shaktikant Das to ease more.</p>	
6	<p>A direct tax cut in government budget helps to stimulate economic growth by</p> <ol style="list-style-type: none"> increasing disposable income increasing production activity increasing demand both a) and c) 	1
7	<p>Decreasing tax is a fiscal measure to deal with----- (inflationary gap/deflationary gap) situation in an economy.</p>	1
8	<p>What will be impact on credit creation ability of commercial banks if government reduces income tax slabs?</p> <ol style="list-style-type: none"> there will be more credit creation in the economy there will be less credit creation in the economy there will be no impact on the creation It depends upon the behavior of the targeted population. 	1

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	<p style="text-align: center;">Or</p> <p>a) 'Circular flow of income in a two sector economy is based on the axiom that one's expenditure is other's income'. Do you agree with the given statement? Support your answer with valid reasons.</p> <p>b) Calculate compensation of employees from the following data:</p> <table border="1"> <thead> <tr> <th>S.no</th> <th>Particulars</th> <th>Amount (in Crores)</th> </tr> </thead> <tbody> <tr> <td>i.</td> <td>Profits after tax</td> <td>20</td> </tr> <tr> <td>ii.</td> <td>Interest</td> <td>45</td> </tr> <tr> <td>iii.</td> <td>Gross Domestic Product at Market Price</td> <td>200</td> </tr> <tr> <td>iv.</td> <td>Goods and Services Tax</td> <td>10</td> </tr> <tr> <td>v.</td> <td>Consumption of Fixed Capital</td> <td>50</td> </tr> <tr> <td>vi.</td> <td>Rent</td> <td>25</td> </tr> <tr> <td>vii.</td> <td>Corporate Tax</td> <td>5</td> </tr> </tbody> </table>	S.no	Particulars	Amount (in Crores)	i.	Profits after tax	20	ii.	Interest	45	iii.	Gross Domestic Product at Market Price	200	iv.	Goods and Services Tax	10	v.	Consumption of Fixed Capital	50	vi.	Rent	25	vii.	Corporate Tax	5	3
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17	'An economy is operating at under-employment level of income'. What is meant by the given statement? Discuss one fiscal measure and one monetary measure to tackle the situation.	6																								
	SECTION-B (Indian Economic Development)																									
18	Name any two taxes which were subsumed in Goods and Services Tax (GST).	1																								
19	State whether the following statement is true or false: 'The latest demonetization of currency was undertaken by the Government of India on November 8, 2016'.	1																								
20	Identify the correct sequence of alternatives given in Column II by matching them with respective terms in Column I:	1																								
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21	Agriculture marketing does not comprise of (Choose the correct alternative) a) Transportation of the produce to the market place for sale.																									

	<p>b) Grading of the produce according to the quality. c) Storage of the produce for sale in future. d) Credit taken to meet expenditure on agriculture.</p>	1
22	<p>Undertype of unemployment, marginal product gained by employing one additional unit of labour is zero. (Fill up the blank with correct answer) Or an indicator which is used for analyzing the employment situation of a country. (Fill up the blank with correct answer)</p> <p>Case based questions(Q. no23 to 26) The country's development is measured in terms of per capita consumption of electricity which in turn depends on electricity generated. In India per capita consumption is quite low and for the year 2007, it was only a meager 665KWHper annum in comparison to about 12,000KWH for USA and 34,000in Norway which indicates fairly low level of industrialization in the country. The peak power shortage of 9.8% has been plaguing Indian power sector for 2007-2008. As a result, regulators, worldwide are now implementing new regulatory schemes and organizational reforms in an effort to improve the incentives for efficient operation of electricity utilities. All this reforms are consistent with the view that competition should be introduced into the electricity supply industry, whichever , it is technologically feasible and India is not exception to this reforms. A case study of Himachal Pradesh, which is a hilly state with different terrains in the northern part of India has been carried out. This state has distinction of achieving 100% electrification way back in 1989 and rapid load growth. With enactment of Electricity Act 2003, there has been tremendous improvement in power sector of this state. There is significant improvement in the areas of transmission and distribution, tariff rationalization and in availability of power supply.</p>	1
23	<p>India generates its maximum energy by which of these sources? a) Solar Energy b) Thermal Energy c) Nuclear Energy d) Wind and Tidal Energy</p>	1
24	<p>Which of the following is /are major challenges of power sector in India? a)Inefficient plant load factor b)Transmission and distribution losses c)Losses of state electricity boards d) All of these</p>	1

Growth of Employment and Gross Domestic Product, 1951-2012 (%)

