

**MODEL EXAMINATION (2020-'21)**  
**ECONOMICS (030)**

**CLASS -XII**

**TIME: 3 hours**  
**MAX. MARKS: 80**

**GENERAL INSTRUCTIONS**

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 (including two Case Based Questions) are 1 mark questions and are to be answered in one word/sentence.
4. Case Based Questions (CBQ's) are Question No. 7-10 and Question No. 25-27.
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**

**(Macro Economics)**

1. Inventory is a .....concept whereas the change in inventory is a..... concept.

**(Fill up the blank with correct alternative)**

- |                         |                        |
|-------------------------|------------------------|
| <b>(a)</b> stock, flow  | <b>(b)</b> flow, stock |
| <b>(c)</b> stock, stock | <b>(d)</b> flow, flow  |

**OR**

If in an economy the value of Net Factor Income from Abroad is `200 crores and the value of Factor Income to Abroad is `40 crores. Identify the value of Factor Income from Abroad.

**(Choose the correct alternative)**

- |                        |                         |
|------------------------|-------------------------|
| <b>(a)</b> `200 crores | <b>(b)</b> ` 160 crores |
| <b>(c)</b> `240 crores | <b>(d)</b> ` 180 crores |
2. In the present COVID-19 times, many economists have raised their concerns that Indian economy may have to face a deflationary situation, due to reduced economic activities in the country. Suppose you are a member of the high powered committee constituted by the Reserve Bank of India (RBI). You have suggested that as the supervisor of commercial

banks,..... (restriction/release) of the money supply be ensured, by the Reserve Bank of India (RBI). **(Choose the correct alternative)**

3. Supply of money refers to..... **(Choose the correct alternative)**
- (a) currency held by the public
  - (b) currency held by Reserve Bank of India (RBI)
  - (c) currency held by the public and demand deposits with commercial banks
  - (d) currency held in the government account

4. Identify the correct pair of formula from the following column I and II: **(Choose the correct alternative)**

	Column I		Column II
A	Current Account Surplus	(i)	Receipts < Payments
B	Current Account Surplus	(ii)	Receipts > Payments
C	Balance Current Account	(iii)	Receipts ≠ Payments
D	Current Account Deficit	(iv)	Receipts ≤ Payments

**Alternatives:**

- (a) A-(i)
  - (b) B-(ii)
  - (c) C-(iii)
  - (d) D-(iv)
5. Identify which of the following statements is true? **(Choose the correct alternative)**
- (a) The flexible exchange rate system gives the government more flexibility to maintain large stocks of foreign exchange reserves.
  - (b) In the Managed floating exchange rate system, the government intervenes to buy and sell foreign currencies.
  - (c) In the Managed floating exchange rate system, the Central Bank intervenes to moderate exchange rate fluctuations.
  - (d) In the Fixed exchange rate system, market forces fix the exchange rate.

6. An Indian real estate company receives rent from Google in New York. This transaction would be recorded on.....side of .....account.

**(Fill up the blanks with correct alternative)**

- (e) credit, current
- (f) credit, capital
- (c) debit, capital
- (d) debit, current

**Read the following news report and answer Questions 7-10 on the basis of the same:**

The Reserve Bank of India (RBI), cut Repo Rate to 4.4%, the lowest in at least 15 years. Also, it

reduced the Cash Reserve Ratio (CRR) maintained by the banks for the first time in over seven years. CRR for all banks was cut by 100 basis points to release 1.37 lakh crores across the banking system. RBI governor Dr. Shaktikanta Das predicted a big global recession and said India will not be immune. It all depends how India responds to the situation. Aggregate demand may weaken and ease core inflation.

**(The Economic Times; March 27th, 2020)**

7. Cut in Repo rate by RBI is likely to..... (Increase/decrease) the demand for goods and services in the economy. **(Choose the correct alternative)**

8. Decrease in Cash Reserve Ratio will lead to..... **(Choose the correct alternative)**

- (a) fall in aggregate demand                      (b) rise in aggregate demand  
(c) no change in aggregate demand              (d) fall in general price level

9. The difference by which actual Aggregate Demand exceeds the Aggregate Demand, required establishing full employment equilibrium is known as.....

(Inflationary gap/deflationary gap.) **(Choose the correct alternative)**

10. The impact of 'Excess Demand' under Keynesian theory of income and employment, in an economy are: **(Choose the correct alternative)**

- (a) Decrease in income, output, employment and general price level  
(b) Decrease in nominal income, but no change in real output  
(c) Increase in income, output, employment and general price level  
(d) No change in output/employment but increase in general price level.

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

- (a) Gross Value Added at market price and Gross Domestic Product at market price is one and the same thing.  
(b) Intermediate goods are always durable in nature.

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

- (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.

**OR**

'Trade Deficit must exist if a country is facing a situation of Current Account Deficit.'  
Defend or refute the statement, with valid argument.

13. (a) Define money multiplier.

- (b) 'Credit creation is inversely related to the reserve deposit ratio'. Justify the given statement, using a hypothetical example.

14. In an economy  $C = 200 + 0.5 Y$  is the consumption function where C is the consumption expenditure and Y is the national income. Investment expenditure is Rs.400 crores. Is the economy in equilibrium at an income level Rs.1500 crores? Justify your answer.

**OR**

Define: (i) Ex-Ante Savings (ii) Full Employment

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 has hit the economy hard.'

**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.

16. (a) 'Domestic/household services performed by a woman may not be considered as an economic activity.' Defend or refute the given statement with valid reason.  
(b) 'Compensation to the victims of a cyclone is an example of a welfare measure taken by the government. 'State with valid reason, should it be included/not included in the estimation of national income of India.

**OR**

Suppose the Gross Domestic Product (GDP) of Nation X was Rs.2000 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.4000 crores in 2019-20 and the Gross Domestic Product of Nation Y rises to Rs.200000 crores in 2019-20.

Compare the rate of change of GDP of Nations X and Y, taking 2018-19 as base year.

17. (a) Elaborate the objective of 'allocation of resources' in the Government budget.  
(b) Discuss briefly how the Government budget can be used as an effective tool in the process of employment generation.

## **SECTION - B**

### **(Indian Economic Development)**

18. ....was the Indian Finance Minister in 1991, acknowledged for his capabilities to steer away the economic crisis looming large on the erstwhile Indian Economy.

**(Choose the correct alternative).**

- (a) Dr. Subramanian Swamy (b) Dr. Manmohan Singh  
(c) Pranab Mukherjee (d) Dr. Urjit Patel

19. India entered the..... stage of Demographic Transition after the year 1921.

**(Choose the correct alternative)**

- (a) forth (b) second  
(c) Third (d) first

20. Read the following statements - Assertion (A) and Reason (R).

**Choose one of the correct alternatives given below:**

**Assertion (A):** India became an exporter of primary products and an importer of finished consumer and capital goods produced in Britain.

**Reason (R):** Restrictive policies of commodity production, trade and tariff pursued by the colonial government adversely affected the structure, composition and volume of India's foreign trade.

**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.

**OR**

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

**Assertion (A):** The major policy initiatives i.e. land reforms and green revolution helped India to become self-sufficient in food grains production.

**Reason (R):** The proportion of people depending on agriculture did not decline as expected.

**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.

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 Enterprises (PSEs).

**Reason (R):** Disinvestment is an excellent tool for discarding the loss incurring Public Sector Enterprises (PSEs).

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.

22. From the set of events/systems given in column I and corresponding relevant fact given in column II, about China, Choose the correct pair of statement:

	<b>Column I</b>		<b>Column II</b>
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

23.....adopted 'One Child Policy' as a measure to control population. **(Choose the correct**

alternative)

- (a) India
- (c) Pakistan

- (b) China
- (d) Russia

**Read, the following hypothetical Case Study, carefully and answer the 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.

24. Uncertainty of income for farmers in India is majorly caused by .....  
**(Irregular rainfall / unavailability of loans).**

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)**

26. The rural banking structure in India consists of a set of multi-agency institutions. .... (Regional Rural Banks / Small Industries Development Bank of India) is expected to dispense credit at cheaper rates for agricultural purposes to farmers.

27. (Regional Rural Banks/ Land Development Banks) .....is the most prominent body responsible for providing loans for long term land development.

28. 'India has emerged as a hotspot for medical tourism'. Defend the statement with valid arguments.

**OR**

Discuss any two steps taken by the government in the direction of improving agricultural marketing system in India, since independence.

29. Discuss briefly the concept of 'informalisation of workforce', in the context of Indian economy.

30. "Agriculture sector appears to be adversely affected by the economic reform process."  
Explain the given statement.

31. 'Atmanirbhar 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.

**OR**

Discuss briefly any two major steps taken by the Government of India on ‘Financial Sector’ under the Economic Reforms of 1991.

32. Compare and analyse the given data of India and China with valid arguments.

Annual Growth of Gross Domestic Product (%), 1980-2017

COUNTRY	1980-90	2015-17
India	5.7	7.3
China	10.3	6.8

**Source: Key Indicators for Asia and Pacific 2016, Asian Development Bank, Philippines; World Development Indicators 2018.**

33. (a) ‘If the rate of resource extraction exceeds the rate of regeneration, it leads to reduction in carrying capacity of the environment.’ Discuss the rationale of the given statement with valid reasons.

(b) ‘Calorie-based norm is not an adequate measure to identify the poor. Establish the rationale of the given statement with valid reasons.

**OR**

(a) Why are fewer women found in regular salaried employment?

(b) Analyse the recent trends in sectorial distribution of workforce in India.

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
Services	20	23.8	26.8

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

(a) Since independence, the benefits of the increase in economic growth in India have trickled down to the people at the bottom of population pyramid.

(b) Human Capital Formation gives birth to innovation, invention and technological improvements.

(c) There exists an inverse correlation between infrastructural growth and national income.