

PRACTICE PAPER – ECONOMICS CLASS XII

General Instructions:

1. This question paper contains two parts:
 - a) Part A - Macro Economics (40 marks)
 - b) Part B - Indian Economic Development (40 marks).
2. 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.
3. Case Based Questions (CBQ's) are Question No. 7-10 and Question No. 24-27.
4. Question No. 11-12 and Question No. 28 – 29 are 3 marks questions and are to be answered in 60 - 80 words each.
5. Question No. 13-15 and Question No. 30 – 32 are 4 marks questions and are to be answered in 80-100 words each.
6. Question No. 16-17 and Question No. 33 – 34 are 6 marks questions and are to be answered in 100-150 words each.
7. 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. Tractor can never be _____ good

- (A) Final (B) Intermediate (C) Consumer (D) Capital

OR

If Real GDP in 2019 is 500 and Nominal GDP in 2019 is 650, find GDP deflator.

- (a) 110 (b) 130 (c) 120 (d) 100

2. In the present situation of COVID, many banks would have faced financial emergency. If you own a bank and there is financial emergency in your bank, then.....is the only institution that can come to the rescue of your bank. (Central Bank/commercial bank) (Choose the correct alternative)

3. The authority that issues coins in India is..... . (Choose the correct alternative)

- (a) RBI
(b) Government of India
(c) SBI
(d) CBI

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

Column I

Column II

- | | |
|-------------------------------------|---|
| A Supply curve of foreign exchange | (i) Upward sloping curve |
| B Export from India to Japan | (ii) Demand for foreign exchange from India |
| C Repayment of international loans | (iii) Source of supply of foreign exchange |
| D Depreciation of domestic currency | (iv) Government plays important role |

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) Exchange rate of a currency is same as paper value of that currency.
- (b) Exchange rate is the price of a currency expressed in terms of gold.
- (c) Managed floating is also known as dirty floating.
- (d) Revaluation leads to a rise in supply of foreign currency.

6. Borrowing from the rest of the world would be recorded as item in the.....account. (BOP)

(Fill up the blanks with correct alternative)

- (a) credit, capital
- (b) debit, capital
- (c) credit, current
- (d) debit, current

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

'COVID-19 to have significant deflationary impact due to demand evaporation' Ruling out any impact of stimulus on the price situation, Chief Economic Advisor K.V. Subramanian on Thursday said the COVID-19 pandemic has severely dented the demand for non-essential or discretionary goods, creating deflationary conditions. He also said that a good part of the ` 20 lakh crore stimulus package is designed in a manner that the fiscal deficit remains under control.

"COVID has a significant deflationary impact because demand especially for non-essential or discretionary goods and services will go down significantly. Therefore, it is unlikely that there would be too much inflationary impact through fiscal deficit or stimulus package," Subramanian told in an interview. The proposed stimulus package will generate demand by infusing liquidity into the system and thus perk up the economy, the CEA said. The Economic Times; May15th,2020

7. Deficiency of demand creates(deflationary gap/inflationary gap) in the economy. (Choose the correct alternative)

8. Demand for.....goods has gone significantly down during covid period. (Choose the correct alternative)

- (a) non-essential
- (b) essential
- (c) both (a) and (b)
- (d) None of these

9. The proposed stimulus package has tried to create.....(more/less) demand in the economy. (Choose the correct alternative)

10. Inflationary gap: (Choose the correct alternative)

- (a) raises the level of output.
- (b) does not change the level of output.
- (c) raises the general price level.

(d) both b and c

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

(a) GDP growth as an index of welfare loses its importance if there is deep economic divide in the economy.

(b) Real GDP may increase without any increase in the quantity of output in the economy.

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

(a) Appreciation of the Indian currency occurs when more rupees are to be paid for US dollar.

(b) Flexible exchange rate is determined by IMF.

OR

'Devaluation and depreciation are one and the same thing.' Defend or refute the statement, with valid argument.

13. Explain the components of money supply.

14. In an economy 75 percent of the increase in income is spent on consumption. Investment is increased by 1,0000 crore. Calculate:

(a) Total increase in income.

(b) Total increase in consumption expenditure.

OR

Explain the meaning of Marginal Propensity to Consume. What is its relationship with Marginal Propensity to Save?

15. "CRR cut will improve bottom line, says Karnataka Bank CEO" Private lender Karnataka Bank MD and CEO Mahabaleshwara MS on Friday said the Reserve Bank of India (RBI) slashing the Cash Reserve Ratio (CRR) by 100 basis points (BPS) from 4% to 3% will improve the bottom line of banks.

Discuss how the above mentioned monetary instrument in news report is helpful in correcting the situation of excess demand and deficient demand.

16. (a) 'GDP as an index of welfare of a country has some limitations.' Defend or refute the given statement with valid reason.

(b) 'Payment of fees to a lawyer engaged by a firm.' State with valid reason, should the given payment be included or not included in the estimation of national income of India.

OR

Calculate the Net National Product at Factor Cost from the given details:

S.No.	Particulars	(₹ in Crores)
i	Mixed income of self-employed	8,000
ii	Depreciation	200
iii	Profit	1,000

iv	Rent	600
v	Interest	700
vi	Compensation of employees	3,000
vii	Net indirect taxes	500
viii	Net factor income to abroad	60
ix	Net exports	(-) 50
x	Net current transfers to abroad	20

17. Classify the following items as revenue and capital expenditure and give reason for your answer :-

- (a) Subsidies
- (b) Grants by the government
- (c) Construction of school building

SECTION - B (Indian Economic Development)

18. Railways were introduced in India in (Choose the correct alternative)

- (a) 1853 (b) 1850 (c) 1851 (d) 1854

19. _____ is an economy in which, means of production are used in a manner such that social welfare is maximised. (Choose the correct alternative)

- (a) Capitalist economy
- (b) Socialist economy
- (c) Mixed economy
- (d) Free economy

20. Read the following statements – I and II. Choose one of the correct alternatives given below:

Statement I: Five year plans gave a big push to the basic and capital goods industries.

Statement II: Make in India will boost industrial sector in the Indian economy.

Alternatives:

- (a) Both (I) & (II) are true
- (b) Both (I) & (II) are false
- (c) Statement (I) is true but Statement (II) is false.
- (d) Statement (II) is true but Statement (I) is false

OR

Read the following statements – I and II. Choose one of the correct alternatives given below:

Statement (I): Economic and social equality was considered as the principal goal of planning.

Statement (II): Real income of the people decreased due to high rate of inflation.

Alternatives:

- (a) Both (I) & (II) are true

- (b) Both (I) & (II) are false
- (c) Statement (I) is true but Statement (II) is false.
- (d) Statement (II) is true but Statement (I) is false

21. GBD stands for General Burden of Disease. (true/false)

22. Choose the correct pair of statement from the following column I and column II:

Column I	Column II
A One child policy	(i) India
B Jobless growth	(ii) China
C Problem of environmental degradation	(iii) Pakistan
D Commune system of farming	(iv) China

Alternatives:

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

23. China surpassed India and Pakistan insector of the economy. (Choose the correct alternative)

- (a) primary (b) manufacturing (c) tertiary (d) None of these

Read the following hypothetical case study carefully and answer the question numbers 24-27 on the basis of the same.

Diversification includes two aspects - one relates to change in cropping pattern and the other relates to a shift of workforce from agriculture to other allied activities like livestock, poultry, fisheries etc. and non-agriculture sector. The need for diversification arises from the fact that there is greater risk in depending exclusively on farming for livelihood. Diversification towards new areas is necessary not only to reduce the risk from agriculture sector but also to provide productive sustainable livelihood options to rural people. Much of the agricultural employment activities are concentrated in the Kharif season. But during the Rabi season, in areas where there are inadequate irrigation facilities, it becomes difficult to find gainful employment. Therefore, expansion into other sectors is essential to provide supplementary gainful employment and in realising higher levels of income for rural people to overcome poverty and other tribulations. Hence, there is a need to focus on allied activities, non-farm employment and other emerging alternatives of livelihood, though there are many other options available for providing sustainable livelihoods in rural areas.

24. _____ relates to a shift of workforce from agriculture to other allied activities. (Monocropping/Diversification)

25. Livestock comes under the category ofactivities. (allied/diversification)

26. Diversification provides options to rural people. (livelihood /irrigation)

27. It is difficult to find gainful employment in season, in areas where there are inadequate irrigation facilities. (Kharif/Rabi)

28. 'Economic growth occurs when GDP rises'. Defend the statement with valid reasons.

OR

Distinguish between formal workers and informal workers.

29. Discuss briefly about challenges in agricultural credit in India.

30. "British intended to achieve some objectives through their policies of infrastructure." Explain the given statement.

31. 'Protection of small scale industry and regulation of large scale industry was prevalent before 1991'. Justify the rationale of the given statement.

OR

Explain the term globalisation. Explain 'outsourcing' as a result of globalisation of the Indian economy.

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

Structure of Growth- India, Pakistan and China

Sector	% Share in GDP			% Share in Employment		
	India	Pakistan	China	India	Pakistan	China
Primary	15.4	24.4	7.9	47	42.3	27.7
Secondary	23.1	19.1	40.5	22	22.6	28.8
Tertiary	61.5	56.5	51.6	31	35.1	43.5

33. (a) "Challenge of poverty must be given more importance than environmental degradation." Discuss the rationale of the given statement with valid reasons.

(b) "Sustainable development is a process to be taken as a daily life activity." Establish the rationale of the given statement with valid reasons.

OR

(a) Why are female workers in rural areas unwilling to migrate to outside jobs?

(b) Analyse the change in occupational structure of the country on the basis of the following table:

Change in occupational structure

Sector	% of Workforce	
	1950-51	2017-18
Primary	72.72	43.8
Secondary	10.02	24.7
Tertiary	17.26	31.5
Total	100	100

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

(a) Higher percentage of workforce in rural areas suggests a higher contribution of the rural economy to GDP.

(b) Workforce is the difference between total population and no. of persons not working.

(c) Lack of warehousing causes loss of revenue to the farmers.