



INDIAN SCHOOL SOHAR
PRE-BOARD 1 EXAMINATION (2023 – 2024)
ECONOMICS (030) (SET 1)

CLASS: - XII

MAX MARKS: - 80

DATE: 02/12/2023

TIME: 3 HOURS

General Instructions:

Read the following instructions carefully and follow them:

1. This Question Paper contains **34** questions. All questions are compulsory.
2. This paper contains **20** Multiple Choice Questions type questions of **1** mark each.
3. This paper contains **4** Short Answer Questions type-I questions of **3** marks each to be answered in **60 to 80** words.
4. This paper contains **6** Short Answer Questions type-II questions of **4** marks each to be answered in **80 to 100** words.
5. This paper contains **4** Long Answer Questions type questions of **6** marks each to be answered in **100 to 150** words.
6. There is no overall choice in the question paper. However, internal choices have been provided in few questions. The candidates need to attempt only one question from such questions.
7. Attempt **all** parts of a question together.

SECTION A: MACRO ECONOMICS

1. Read the following statements carefully: [1]
Statement 1: Investment is defined as addition to the physical capital and changes in the inventory.
Statement 2: At equilibrium level of income, ex-post investments and ex-post savings are always equal.
Considering the given statements, choose the correct alternative from the following:
A. Statement 1 is true, and Statement 2 is false B. Statement 1 is false, and Statement 2 is true.
C. Both Statements 1 and 2 are true. D. Both Statements 1 and 2 are false.
2. An Indian company receives a loan from a company located abroad. This transaction would be recorded [1]
on the _____ side of _____ account in India's Balance of Payment. (Choose the correct alternative to fill up the blanks)
A. Credit, Current B. Debit, Current
C. Credit, Capital D. Debit, Capital
3. The Reserve Bank of India (RBI) _____ government securities in a bid to _____ the [1]
stock of money in the economy. (Choose the correct alternative to fill up the blanks)
A. sells, decrease B. purchases, decrease
C. sells, increase D. purchases, not change

4. Read the following statements carefully: [1]

Statement 1: Balance of Payment account is always balanced in accounting sense.

Statement 2: Autonomous transactions, restore balance in Balance of Payment account.

Considering the given statements, choose the correct alternative from the following:

- A. Statement 1 is true, and Statement 2 is false
- B. Statement 1 is false, and Statement 2 is true.
- C. Both Statements 1 and 2 are true.
- D. Both Statements 1 and 2 are false.

5. Suppose Country X has more inflation than Country Y. Which of the following is most likely situation to happen in such a case, assuming other factors being constant? (Choose the correct alternative) [1]

- A. A surplus trade balance in Country X
- B. A deficit trade balance for Country X
- C. A rise in exports from Country X to Country Y
- D. A deficit trade balance for Country Y

OR

Operating Surplus does not include _____. (Choose the correct alternative to fill up the blank)

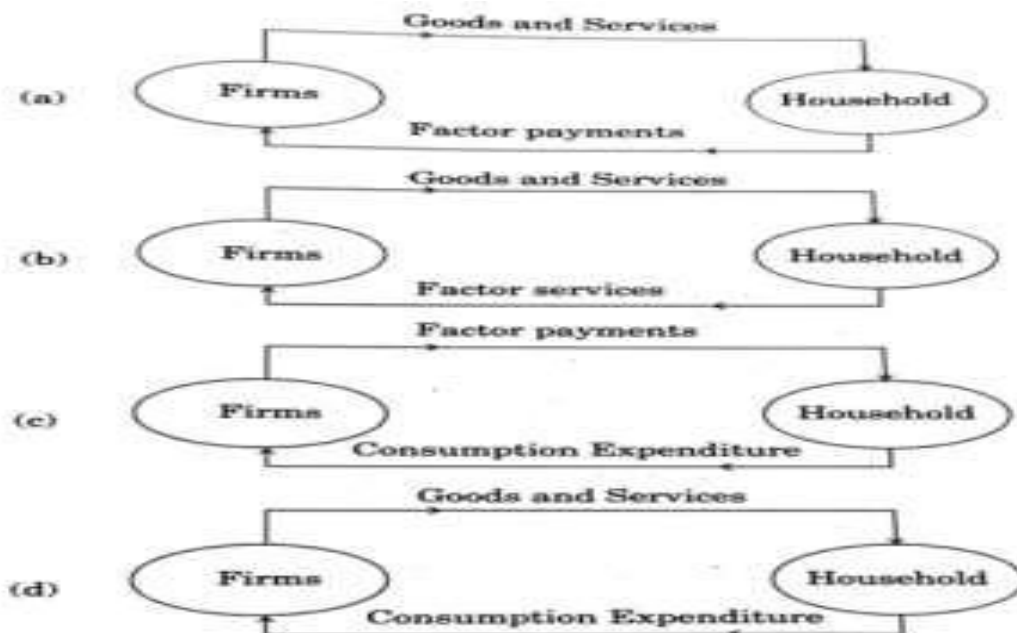
- A. Interest
- B. Rent
- C. Profit
- D. Compensation of employees

6. If the Marginal Propensity to Save (MPS) is 0.5, what will be the value of investment multiplier? [1]

- A. 1
- B. 2
- C. 1.6
- D. 1.45

OR

Identify which of the following represents only the real flow:



7. Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative.

Assertion (A): Rich people have lower Marginal Propensity to Consume (MPC) as compared to poor people.

Reason (R): Consumption curve makes an intercept on the y-axis at a point above the origin.

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 false, but Reason (R) is true.

8. The difference between National Income at market price and National Income at factor cost is _____. [1]
- A. net indirect taxes
 - B. net factor income from abroad
 - C. consumption of fixed capital
 - D. market price

9. Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative. [1]

Assertion (A): Excess demand does not lead to any increase in the level of real output.

Reason (R): Excess demand creates a gap between actual demand and desired demand corresponding to full employment level.

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 false, but Reason (R) is true.

10. Based on given data, the value of capital expenditure will be: [1]

Particulars	(`in ₹ crore)
1. Fiscal deficit	₹ 12,000
2. Revenue deficit	₹ 9,000
3. Primary deficit	₹ 5,000
4. Revenue receipts	₹ 6,000
5. Non-debt capital receipts	₹ 10,000

- A. ₹ 15,000 crore
- B. ₹ 25,000 crore
- C. ₹ 21,000 crore
- D. ₹ 13,000 crore

11. Explain the role of Central Bank as Governments' agent and advisor. [3]

OR

Using a hypothetical numerical example, explain the effect of rise in Reserve Ratio on credit creation by the commercial banks

12. A. Suppose only one Good 'X' is produced in the country. Output of Good X during year 2018 and 2019 were 100 units and 110 units, respectively. The market price of the product during the two years was ₹ 50 and ₹ 55 per unit, respectively. Calculate the percentage change in Real Gross Domestic Product (GDP) in the year 2019 using 2018 as the base year. [3]

B. Differentiate between 'Value of Output' and 'Value Added.'

13. "Under the flexible exchange rate system, the Central Bank does not intervene in the foreign exchange market." Justify the statement, giving valid arguments. [4]

OR

A. Distinguish between Autonomous transactions and Accommodating transactions.

B. Differentiate between Surplus in Balance of Trade and Current Account Surplus

14. A. As per the following news published in "The Hindu" on 6th August 2022: [4]
"The Monetary Policy Committee (MPC) of the Reserve Bank of India raised the Repo Rate by 50 basis points." Identify and explain the probable cause and consequences behind this type of action taken by the Reserve Bank of India.

B. From the following data about an economy, calculate:

a) Equilibrium level of national income

b) Total consumption expenditure at equilibrium level of national income

c) $C = 200 + 0.75 Y$, where C = Consumption, Y = Income

d) Investment expenditure (I₀) = ₹ 4,000 crore

15. A. "In the recent times, the Government of India has incurred a lot of expenditure on acquisition of Indigenous defence items under 'Make-in-India' programme." Identify and discuss the two types of budget expenditures which may be undertaken by the Government as suggested in the above statement. [4]

B. Two friends, Deepak and Krish were discussing the impact of an increase in GST rates on luxury items, as recently undertaken by the Government. Krish was of the view that most of the luxury items (like foreign travel, imported cigarettes, etc.) should be taxed exorbitantly, while the items related to daily consumption of poor and middle class should be tax-free. Identify and explain the objective of the Government budget Krish is suggesting

16. A. What is meant by official reserve transaction? Discuss their importance in balance of payments. [6]

B. Compare the trends depicted in the figures given below:

Figure 1: Trends in Fiscal deficit and primary deficit

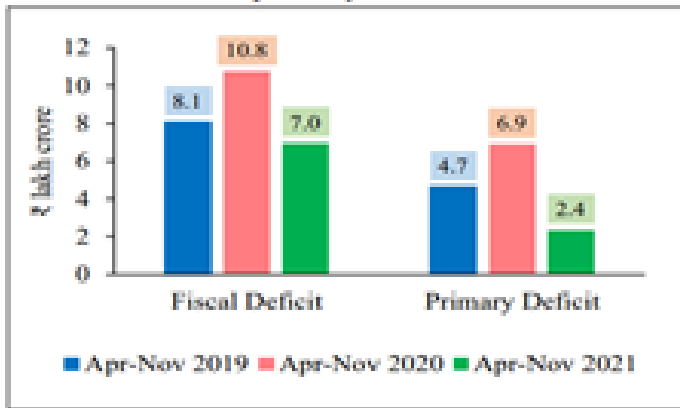
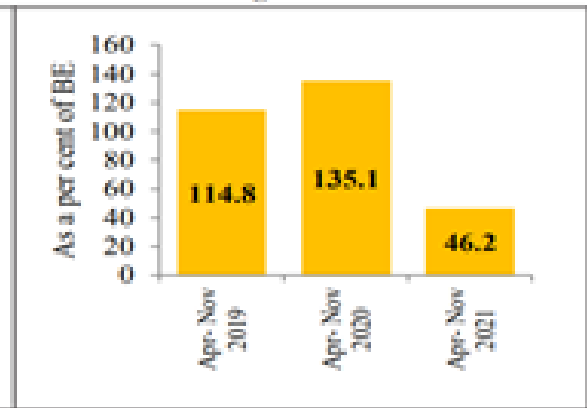


Figure 2: Fiscal deficit as a per cent of Budget estimate



Source: CGIA Monthly Accounts

17. A. Explain the basis of classifying goods into final goods and intermediate goods, with the help of suitable examples. [6]

B. Calculate GDP at market price by Income Method:

S.no	Particulars	(` in ₹ crores)
(i)	Compensation of employees	120
(ii)	Exports	25
(iii)	Mixed Income of the self-employed	140
(iv)	Imports	30
(v)	Interest on national debt	5
(vi)	Private final consumption expenditure	255
(vii)	Gross fixed capital formation	65
(viii)	Consumption of fixed capital	40
(ix)	Subsidies	10
(x)	Government's final consumption expenditure	35
(xi)	Change in stocks	20
(xii)	Indirect tax	45
(xiii)	Net factor income from rest of the world	(-) 10
(xiv)	Rent, interest, and profit	50

OR

A. Explain how the following should be treated while estimating national income:

- (i) Free medical facilities by the employer
- (ii) Income arising out of the sale of shares.

B. Calculate Net National Product at Market Price from the following data:

S.no	Particulars	(` in ₹ crores)
(i)	Compensation of employees	250
(ii)	Mixed income of self-employed	600
(iii)	Profit	80
(iv)	Interest	40
(v)	Rent	30
(vi)	Net factor income to abroad	(–) 10
(vii)	Net exports	15
(viii)	Consumption of fixed capital	20
(ix)	Net indirect taxes	10
(x)	Net current transfers to abroad	8

SECTION B: INDIAN ECONOMIC DEVELOPMENT

18. Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives: [1]

Assertion (A): During 1980's, economic growth rate of Pakistan was more than that of India.

Reason (R): Pakistan followed the path of mixed economic structure with equal participation of the public and the private sector.

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, but 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 the correct alternative from those given below:

Assertion (A): China has the highest life expectancy in the world.

Reason (R): Maternal Mortality Rate of India is higher than that of China.

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 false, but Reason (R) is true.

19. Read the following statements carefully and choose one of the correct alternatives: [1]

Statement 1: Economic growth means the increase in real national income of a country.

Statement 2: Human capital formation and Human development are the same concepts.

Alternatives:

- A. Statement 1 is true, and Statement 2 is false.
- B. Statement 1 is false, and Statement 2 is true.
- C. Both statements 1 and 2 are true.
- D. Both statements 1 and 2 are false

20. Arrange the following events of China in chronological order and choose the correct alternative: [1]

- (i) Great Proletarian Cultural Revolution
- (ii) Great Leap Forward Campaign
- (iii) Introduction of Economic Reforms
- (iv) First Five-Year Plan

Alternatives:

- A. (ii), (iv), (iii), (i)
- B. (iv), (ii), (i), (iii)
- C. (ii), (iv), (i), (iii)
- D. (iv), (i), (ii), (iii)

21. Read the following statements carefully: [1]

Statement 1: The purchase of food grains made by the Government on the Minimum Support Price (MSP) is maintained as buffer stock.

Statement 2: Minimum Support Price safeguards the farmers against any sharp fall in farm product prices. In the light of the given statements, choose the correct alternative:

- A. Statement 1 is true, and Statement 2 is false.
- B. Statement 1 is false, and Statement 2 is true.
- C. Both statements 1 and 2 are true.
- D. Both statements 1 and 2 are false

22. Which of the following statements is incorrect with respect to women education in India? [1]

- A. Education helps to improve economic independence.
- B. Education helps to promote family welfare programmes.
- C. Education enables women to take care of their own health.
- D. Inappropriate planning of human resources improves human capital formation.

23. Carrying Capacity implies that _____. (Choose the correct alternative) [1]

- (i) Resource extraction should remain below the rate of regeneration.
- (ii) Resource extraction should remain above the rate of regeneration.
- (iii) Generation of waste should remain within the absorption capacity of the environment.

(iv) Generation of waste should be more than the absorption capacity of the environment.

Alternatives:

- A. (i) and (iv)
- B. (i) and (iii).
- C. (ii) and (iii)
- D. (ii) and (iv)

24. _____ adopted the resolution to ban the use of Chlorofluorocarbon (CFC) compounds along with other ozone depleting chemicals. (Choose the correct alternative to fill up the blank) [1]

- A. Kyoto Protocol
- B. Paris Protocol
- C. Montreal Protocol
- D. Brundtland Commission Report

OR

According to Herman Daly (an environmental economist), which of the following is **not** an essential step towards achieving sustainable development?

- A. Limiting human population to carrying capacity of the environment
- B. Input inefficient technological progress.
- C. Rate of extraction of renewable resources should not exceed rate of regeneration.
- D. Correction of inefficiencies arising from pollution

25. _____ is a process, which includes all the activities from sowing till sale of the final produce in the market. (Fill up the blank with correct alternative) [1]

- A. Rural Development
- B. Agricultural Diversification
- C. Organic Farming
- D. Agricultural Marketing

OR

_____ have emerged as an important micro finance system and led to women empowerment.

- A. NABARD
- B. Self-Help Groups
- C. Commercial Banks
- D. Land Development Banks

26. Identify, which of the following alternative is **not** associated with goals of economic planning in India. [1]

- A. Ensuring equitable standard of living
- B. Technological advancement
- C. Increase in economic growth
- D. Promoting imports of luxury goods

OR

In 1951, agricultural contribution to India's National Income was _____. (Choose the correct alternative)

- A. Highest among the three sectors
- B. Lowest among the three sectors
- C. Lower than the industrial sector
- D. Lower than the service sector

27. Based on the data given below, identify the **incorrect** statement in terms of annual growth of GDP (%): [1]

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

country	1980 – 1990	2015 - 2017
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India	5.7	7.3
China	10.3	6.8
Pakistan	6.3	5.3

(Source: Key Indicators for Asia and Pacific 2016.)

Alternatives:

- A. China was able to maintain near double-digit growth during the 1980s.
- B. Pakistan was ahead of India during 1980-2017.
- C. India experienced a rapid rise in Gross Domestic Product during 2015-17
- D. Both China and Pakistan experienced a decline in growth rate during 2015-17.

28. State and explain the condition of Indian agriculture on the eve of independence. [3]

29. Read the following schedule carefully: [3]

Trends in Output Growth in Different Sectors, 1980 – 2015

Country	1980 – 90			2011 – 2015		
	Agriculture	Industry	Service	Agriculture	Industry	Service
India	3.1	7.4	6.9	2.3	5	8.4
China	5.9	10.8	13.5	4.1	8.1	8.4
Pakistan	4	7.7	6.8	2.7	3.4	4.4

Analyse the output growth trend in the three sectors over the given years between India and China.

OR

Explain valid reasons for the slow growth and re-emergence of poverty in Pakistan

30. Read the following text carefully: [4]

Adoption of Village by Parliamentarians

In October, 2014, the Government of India introduced a new scheme called Sansad Adarsh Gram Yojana (SAGY). Under this scheme, Members of India's Parliament need to identify and develop one village from their constituencies. To begin with, MPs can develop one village as a model village by 2016, and two more by 2019, covering over 2,500 villages in India. According to the scheme, the village can have a population of 3,000 - 5,000 in the plains and 1,000 -3,000 in the hills and should not be the MP's own or their spouse's village. MPs are expected to facilitate a village development plan, motivate villagers to start activities and build infrastructure in the areas of health, nutrition, and education. Based on the given text and common understanding, answer the following questions:

- A. State and discuss, any two objectives which the Government of India wanted to achieve through 'Sansad Adarsh Gram Yojana (SAGY).'
- B. State the yardsticks for selecting villages under the SAGY Scheme.

31. A. Explain how 'expenditure on information' and 'expenditure on migration' acts as a source of human capital formation. [4]

B. Explain any two objectives behind providing more and more institutional credit to farmers.

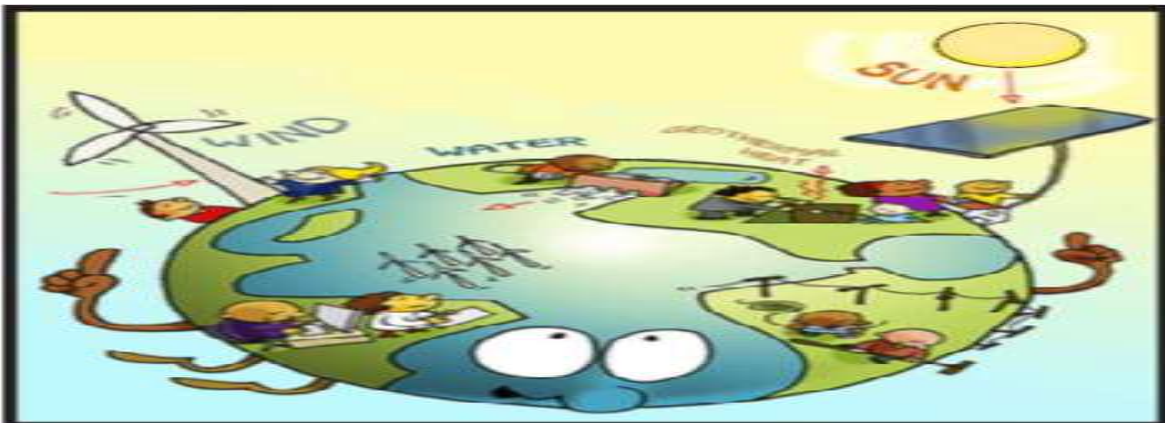
OR

A. Why was there a need for state led industrial development in the country on the eve of independence? Explain.

B. In recent times the Indian Economy has experienced the problem of casualization of the workforce. This problem has only been aggravated by the outbreak of COVID-19.' Do you agree with the given statement? Discuss any two disadvantages of casualization of the workforce in the light of the above statement.

32. Interpret the given picture with reference to current environmental challenges.

[4]



33. A. "Expenditure on **On-the-job training** is an important means of human capital formation in an economy." Give valid reasons to justify the given statement

[6]

B. "The debate over farm subsidies in India is engaged at different platforms." Discuss any three arguments in favour of continuing farm subsidies.

34. A. How did horticulture encourage rural development in India?

[6]

B. Discuss any three reasons behind the introduction of Economic Reforms in 1991.

OR

A. "Many economists believe that the economic reforms process of 1991 had adversely affected the agricultural sector." Do you agree with the given statement? Quote valid arguments in favour of your answer.

B. Explain any three shortfalls of the industrial policy under the British rule.